

2022 **Annual Report**



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Banco Promerica 

Guatemala
El Salvador
Honduras
Costa Rica

Banpro 
Grupo Promerica

Nicaragua

St. Georges Bank 
Grupo Promerica

Cayman Islands

Panama

Banco Promerica 

Dominican Republic

Produbanco 
Grupo Promerica

Ecuador



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Vision

At Grupo Promerica we believe that all people and companies in our communities should push their limits to achieve the success they deserve.

Mission

Promote a bank that develops relationships and offers products and services to our communities to help them overcome their limits, be they cultural, economic, personal, or geographical.

Values

- Permanent empathy
- Entrepreneurs by nature
- Shared trust
- Common culture



Message from the Chairman

Grupo Promerica

As is widely known, each challenge presents opportunities, and *Promericanos* are well-equipped to capitalise on these opportunities, thanks to over 30 years of experience and success in the region. We have a solid financial position and a strategy that prioritises meeting the needs of our clients by offering real solutions that contribute to economic reactivation and create jobs and prosperity in the communities we serve. The year 2023 presents numerous global challenges, including the likelihood of a complex economic slowdown and the post-COVID-19 recovery.

In 2022, we made significant progress in the digital transformation of all the banks within Grupo Promerica, positioning ourselves as a benchmark in the region. We established a Digital Transformation Office, which has enabled us to develop governance, talent, and design skills, as well as consolidate value-generating capabilities such as data and analytics, digitalisation of *Journeys*, sales, and payments. We have successfully digitised 44% of our customer base and increased digital transactions to 45%.

One of the most notable events within our strategy was the issuance of sustainable bonds by Produbanco Ecuador and Banco Promerica of El Salvador, in partnership with IDB Invest. These institutions were pioneers in their respective countries in issuing an instrument of this kind, and the resources generated are mainly used to support the post-pandemic recovery of small and medium-sized enterprises, reaffirming our commitment to sustainability whilst leaving a positive legacy for future generations.



We also held the Second Family and Friends Summit of Grupo Promerica, where we analysed the current economic and geopolitical perspectives, with a focus on Latin America and the Caribbean. In line with our mission, we sponsored the Best Central American Companies (MECA) programme for the second year in collaboration with Deloitte and INCAE in seven of the nine countries where we operate.

The success we have achieved is due in large part to our human talent, which we are continually strengthening. Over 60 employees from various countries within Grupo Promerica participated in the first strategic session, known as the *Sustainability Bootcamp*, held in Guatemala. This session aimed to enhance our business strategy, which has benefited our customers and the Group significantly. We also reaffirm our mission to promote banking that develops relationships within communities through the ADN SME Training Program. This program trains and empowers over 160 employees in the SME segment to develop skills to comprehensively serve companies in this segment.

During this year, we obtained several important recognitions. The International Finance Corporation (IFC), a member of the World Bank Group, awarded Banpro's Corporate and Financial Centre buildings the progressive *EDGE Advanced* rating, in the *Certification of Excellence in Design for Greater Efficiencies*, thus achieving energy savings of over 40%, and Banco Promerica Costa Rica obtained the *Global Climate Partnership Award 2022* for the promotion of electric mobility.

In terms of banking coverage, Grupo Promerica maintains a strong presence in the 9 countries where it operates (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Dominican Republic, Ecuador, and the Cayman Islands); It has 773 branches, in excess of 24,800 bank agents,


and 1,181 ATMs. In addition, it has a presence in the state of Florida, United States, through its commercial affiliation with Terrabank. As of December 2022, the conglomerate had 15,007 employees, 2.9 million customers, 2.7 million depositors, 1.5 million credit cards, USD 20 billion in assets, USD 13 billion in loans, USD 14.8 billion in deposits, USD 1.7 billion in equity and USD 200 million in profits; these indicators place us in an excellent position to face future challenges.

We have positioned ourselves as one of the largest financial institutions in the region among the financial groups with Central American capital, with a solidity recognised by such important international risk rating agencies as Standard & Poor's (S&P) and Fitch Ratings.

I appreciate the trust placed by our shareholders, customers and employees. We know that with effort, courage, and innovation we can reach the dreams and goals we set for ourselves and say firmly that we are ready to provide a quality service that only a relationship bank can offer.

We must face life with strength and without fear, see opportunities, and always act in the face of the unexpected with wisdom and information to make the best decisions.

Best regards.



Ramiro Ortiz Mayorga
Chairman & CEO
Grupo Promerica



Strategic Vision

To be the leading digital Bank, creating memorable experiences for our Clients, highly committed to sustainability.

Strategic Objectives

1. Consolidate the digital experience of Produbanco Clients.
2. Generate value for our stakeholders to become agents of change in sustainable development.

Corporate Values

- Pro-Client
- Progress
- Commitment
- GentePro



Message from the Chief Executive Officer - 2022


Produbanco

Ricardo Cuesta Delgado

I am pleased to make the 2022 Institutional Report of Banco de la Producción S.A. Produbanco and its Subsidiaries available to all of you.

The year 2022 has been a momentous year for us, marked by a plethora of triumphs. We have achieved the coveted position of being the second-largest bank in the country, ranked by asset size, and have emerged as a leader in several commercial segments. Our unwavering commitment to progress and growth has enabled us to take confident strides in all spheres of management, in line with our strategic vision of being a premier digital bank that offers exceptional customer experiences, all while remaining firmly committed to sustainability.

We have a clear and well-defined vision of our objectives, which is why we take deliberate and conscious actions to design our products and services according to the evolving needs and preferences of our customers. We rely on agile methodologies and employ various user experience research techniques to listen to the voice of the customer throughout the design process. Data management is a key aspect of our digital transformation strategy. We possess a robust technical infrastructure for analysis and analytical modelling, and a



comprehensive technological ecosystem that enables the storage and analysis of *big data*, using advanced techniques such as machine learning, deep learning, geo-referencing, artificial intelligence, and process robotisation. These tools generate valuable insights and knowledge to aid in the making of informed and precise decisions.

We are consistently expanding our portfolio of technological solutions for our customers. Our strategy includes not only the development of new products but also the renewal of existing ones, through a combination of in-person and digital channels (phygital), which has been instrumental in driving the adoption of digital solutions. In this regard, we are pleased to announce that Produbanco has launched a new service model in its branches, which places clients at the centre of a dynamic digital ecosystem, guided by advisors who assist in identifying the best solutions to meet their evolving needs. We are proud to report a significant increase in monetary transactions conducted through digital channels, rising from 18% in 2019 to 61% as of December 2022. In terms of digital sales, more than 55% of our products for individuals, including savings accounts, fixed-time deposits, programmed savings, consumer loans and credit cards, were placed through digital channels in 2022.


It is noteworthy that all our projects and actions are driven by the principle of sustainability. We have made a strategic commitment to this goal as we believe that banking can play a pivotal role in promoting sustainable development and fostering a responsible and environmentally-friendly society. As a financial institution, we are responsible for channelling liquidity and resources to foster sustainable growth in the productive sector. However, our commitment to sustainability goes beyond the banking sector as we strive to be a triple-impact company, creating financial, social, and environmental value.

Therefore, we are proud to announce that Produbanco has become the first private equity bank in Latin America to receive the *Certified B Corp* designation. This certification involved rigorous audits of our processes with customers, suppliers, and employees to measure our impacts on society and the environment. As a *B Corp*, we are committed to considering the long-term repercussions of our institutional actions on the community and the environment. We are part of a global movement of 27 companies in Ecuador that share our vision of building a fairer and more balanced economy for people and the world.

In our efforts to reduce carbon emissions resulting from our activities, we have developed various green products. For instance, we offer Green Lines financing alternatives that promote socially and environmentally sustainable production, as well as the Digital Account with the Green Awareness option, allowing users to invest in green projects. This year, we launched the Green Mortgage, which connects builders who environmentally certify their projects with clients who are offered a differentiated value offer by acquiring sustainable housing.

We are proud to maintain our Carbon Neutrality certification granted by SGS following the ISO 14064-3. We are the first bank in Ecuador to achieve this distinction. Additionally, we have the Edge Certification for implementing sustainable construction standards in our Headquarters Building in the Ekopark Corporate Centre, the remodelled Iñaquito Building, and the Guayaquil Branch Building, ensuring efficient resource consumption.

A milestone of the year 2022 was the issuance of the first *Sustainable Bond* of Produbanco in Ecuador and with incentives liaised to the fulfilment of environmental and social goals in Latin America, an operation conducted last



March at the Quito Stock Exchange. The USD 50 million issue was undersigned in its entirety by IDB Invest. The objectives of the bond are to support the post-pandemic reactivation and sustainability of small and medium-sized enterprises and provide green financing, with a focus on efficient agricultural technologies, renewable energies, energy, and resource efficiency, among others. This will allow Produbanco to continue advancing with the execution of the commitments and goals of the Net-Zero Banking Alliance of which the Bank is a founding signatory.

Our management again received several recognitions from prestigious media and international consultancies. Among others, *The Banker* magazine named Produbanco *Bank of the Year 2022* for the fourteenth time; the financial magazine *Global Finance* awarded us the designations *Best Bank Ecuador 2022* for the sixth time and *Best Sustainable Bank 2022*; in addition, *International Banker* magazine recognised Produbanco as *Best Innovation in Retail Banking 2022* for the sixth time; the international consulting firm IZO conferred on us, for the second consecutive year, the *BCX Best Customer Experience* seal as *Best Ibero-American Banking Company* and *Best Banking Sector Ecuador Company* of 2022.

I thank our customers, directors, shareholders, employees and suppliers, not only for being our motivation but in addition for their valuable contribution to continue our path of being a *Bank with Purpose*.

Following nine years of management as Executive President of Produbanco and its Subsidiaries, nearly 23 years with Grupo Promerica in Ecuador, and a thorough evaluation of the balance between my personal and professional lives, I have decided to retire from this great institution and accept

the invitation to form part of the Board of Directors of Grupo Promerica (*PFC - Promerica Financial Corporation*).

Likewise, the Board of Directors of PFC, the main shareholder of Banco de la Producción S.A. Produbanco, and the Board of Directors of the Bank have appointed Rubén Eguiguren Arias, who had been serving as Vice President of Corporate Banking, to assume the Executive Presidency. Of course, I wish Rubén every success in his new duties and offer him my full support for an orderly, transparent and continuous transition process.

I want to thank Ramiro Ortiz Mayorga, Chairperson & CEO of Grupo Promerica, for the trust and support he bestowed upon me over all these years.

Many thanks to the Produbanco team and its Subsidiaries, for their integration, professionalism, collaboration, dedication, and friendship.

See you soon,



Ricardo Cuesta Delgado
Chief Executive Officer 2022
Produbanco

A portrait of Rubén Eguiguren, a middle-aged man with short grey hair, wearing a dark blue suit, a light blue shirt, and a yellow patterned tie. He is standing with his arms crossed against a solid blue background.

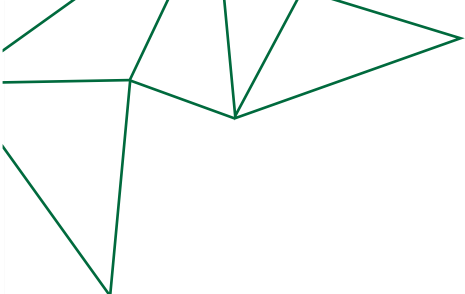
Message from the Chief Executive Officer - 2023

Produbanco

Rubén Eguiguren

As of February 2023, I have assumed the Executive Presidency of Produbanco, a responsibility for which I am honoured considering the trust that the shareholders and the Board of Directors have placed in me. I reiterate my sincere gratitude and commitment. It is a privilege to belong to Grupo Promerica and to this bank that has an impeccable trajectory of 44 years, with a solid financial profile, a valuable clientele and the recognition earned for its management in various areas, as well as for its development as an agent of change.

We are going through years of behaviours marked by technologies and social networks with great implications in several sectors, among which is undoubtedly the banking sector. Within these trends, I have witnessed and been part of the continuous process of cultural and digital transformation in which Produbanco and its Subsidiaries are immersed. I recognise and appreciate the guidance of Ricardo Cuesta, who with his clear vision and leadership has led this institution successfully in the last nine years with the incorporation of tools, practices and technologies to better serve our customers, the development of innovative products and excellent service, and with the serious institutional involvement with sustainability, among several other achievements.

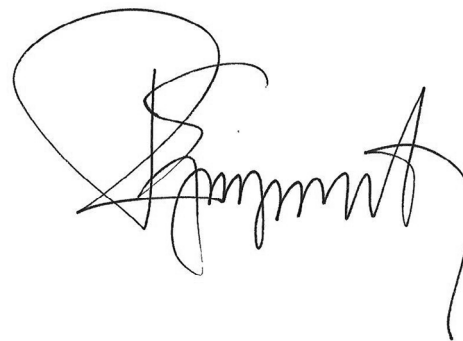


Going forward, I am challenged to lead this noble institution to even higher standards in the various roles we play: generating efficient outcomes for shareholders, providing decent and stimulating sources of work for employees to grow professionally and personally with balance, equity and harmony, making available to customers a wide and versatile portfolio of products, accompaniment in their activities, and sustainable solutions according to current demands and trends, strengthening the links we maintain with our strategic allies with the transparency, mutual benefit and respect that have characterised us and, whilst at the same time promoting the development of the community through multiple initiatives, both global and local, to which we have joined for a sustainable growth that contributes to the balanced development of Ecuador.

This demanding task will only be possible with the dedication of all those who make up Produbanco and its Subsidiaries. We will work tirelessly to optimise the experience of customers in achieving their dreams and projects, to support them in the changes that time requires, and to contribute to a more prosperous society, a more dynamic country, and a more sustainable planet.

Rest assured that we will do our best to continue transcending people's lives, sharing memorable experiences, transforming ourselves, fulfilling our commitments, and consolidating long-term relationships.

I thank everyone who has collaborated to present to you this Corporate Report corresponding to 2022. I invite you to review its contents.



Rubén Eguiguren Arias
Chief Executive Officer 2023
Produbanco

Board of Directors

Produbanco

Principal Directors



Chairman
Francisco José
Martínez Henares



Vice Chairman
Héctor Roberto
Neira Calderón



Principal Director
Karla Dolores
Icaza Meneses



Principal Director
Pablo Mauricio
Argüello Godoy



Principal Director
Gustavo Francisco
Vásconez Espinosa

Deputy Directors



Deputy Director
Francisco José
Ortiz Gudián



Deputy Director
Denise Marie
Henríquez Noriega



Deputy Director
Diego Javier
Borrero Andrade



Deputy Director
Carlos Francisco
Rodríguez Vásconez



Deputy Director
Juan Diego
Mosquera Pesantes

Senior Executives (as of December 2022)

Produbanco

Executive Committee



**Chief Executive
Officer**

Ricardo
Cuesta Delgado

**Executive Vice President
Support Management**

Martha Cecilia
Paredes Díaz

**Executive Vice President
Control Management**

Juan Manuel
Borrero Viver

**Vice President
Retail Banking**

José
Ricaurte Vela

**Vice President
Corporate Banking**

Rubén
Eguiguren Arias

Senior Executives (as of December 2022)

Produbanco

Business Units



**Vice President
Institutional Segment**

Carolina
Andrade Gallegos

**Vicepresidente
Payment Methods**

Sebastián
Quevedo Holguín

**Vice President
People Segment**

María Isabel
Román Albornoz

**Vice President
Guayaquil Branch**

José Antonio
Costa Viver

**Vice President
SME Segment**

Gregorio
Moreno Camacho

Senior Executives (as of December 2022)

Produbanco

Support Units



**Vice President
Financial Management**

Esteban
Vásconez Riofrío

**Vice President
People and Culture**

Eduardo
Lafebre Quirola

**Vice President
Operational Services**

Rafael
Roca Moreno

Senior Executives (as of December 2022)

Produbanco

Staff and Control Units

Staff Units



**Vice President
Legal Counsel**

Jorge
Alvarado Carrera

**Vice President
Digital Transformation**

Fabián
Garzón Abad

Control Units



**Internal
Interno**

Fredy
Sandoval Cerda

**Vice President
Risk Management**

Gustavo
Orbe Montenegro

**Compliance
Officer**

Anibal
Salazar Buenaño




Report of the Board of Directors

Dear Shareholders,

The year 2022 began with very good expectations, despite the uncertainties and enormous challenges in the social, economic and political fields. This favourable outlook was mainly based on two major factors: the first, the adequate control of the pandemic in Ecuador, which gave way to the normalisation of activities and the beginning of economic recovery despite the appearance globally of new strains that were more contagious but with a lower mortality rate. The second, was the economic boost derived from higher household consumption, which boosted domestic sales during 2021, with positive effects on job creation and increased tax collection.

Nonetheless, the performance of the year was marred by the high political, social and security conflict that the country faced and that captured the attention of the national Government and public opinion. By mid-2022, we faced 18 days of violent demonstrations and widespread paralysis of productive activities, which caused losses estimated by the Central Bank at over USD 1,100 million, equivalent to 1% of GDP, and which in turn increased the complexity of the situation and country risk. The mobilisations ended when the authorities reached an agreement with the Confederation of Indigenous Nationalities of Ecuador (CONAIE) and the various social movements that led the protests, through the signing of a Peace Act, which allowed the establishment of





a dialogue process to address the list of demands of the protesting organisations.

Internationally, the resilience of the global economy, which had been severely weakened by the effects of the COVID-19 pandemic, was further affected by Russia's invasion of Ukraine, which caused one of the biggest humanitarian, economic and social crises in recent decades. Thus, new obstacles and blockades to trade boosted the rise in the prices of food, raw materials and fuels, in turn contributing to an increase in inflation and the tightening of global financial conditions.

In the case of Ecuador, this international situation made it difficult to access external resources to finance the public and private sectors, impacted the liquidity levels of the Ecuadorian economy and intermediation margins due to the increase in funding, in turn, due to increases in international interest rates, and the upward pressure on passive rates at the local level. Consequently, the financial system's ability to maintain the pace of credit expansion and financial inclusion was limited.

GDP growth for 2022 is estimated at around 3.0%, lower than the 4.2% registered in the previous year, which was influenced by the post-pandemic rebound.

Employment figures continued to show signs of recovery. The unemployment rate of the Economically Active Population (EAP) fell from 4.1% obtained in 2021 to 3.2% in 2022, whilst adequate employment improved from 33.9% to 36.0%. Following the offer made by the President of Ecuador, the annual increase of USD 25.00 to the unified basic salary was maintained, which for 2023 was set at USD 450.00.

For the third consecutive year, we closed with a surplus trade balance in reference to figures published by the Central Bank of Ecuador. Ecuadorian exports reached USD 32,658 million, a growth of 22.3%, whilst imports increased by 27.3% to USD 30,334 million; in this manner, the Ecuadorian trade balance registered a positive net balance of USD 2,325 million.

The *Balance of the Economy* section of our Annual Report expands in greater depth on these and other important aspects of the economic situation lived in 2022.

It is important to note that the liquidity of the economy has been decreasing as a result of the international scenario and the political and social conflict seen at the local level; albeit, it continues to be positive as a result of the surplus trade balance and in addition thanks to the disbursements of the International Monetary Fund and other important multilateral organisations based on the fiscal discipline and compliance with Ecuador's programme with the IMF.

This is how the banking system registered an increase in obligations to the public of USD 2,438 million, which represents a variation of 5.9%, lower than the growth of 9.8% registered the previous year. Time deposits constituted 40% of public deposits and registered the highest annual variation rate with 15.9%; On the other hand, savings deposits increased by only 4.7% and monetary deposits decreased by 6.0%.

Credit is the engine that drives the recovery of economic activities and the generation of employment; under this, the credit portfolio of private banks closed at USD 38,589 million, which is USD 4,929 million more than in 2021, a growth rate of 15%. In the meantime, 60% of the credit was destined for



micro, small, medium and large productive sectors, whilst 40% had consumption as the main destination to boost the reactivation of domestic demand.

The solvency of the banking system registered a technical equity ratio of 13.9%, thanks to the permanent capitalisation of results and the quality of risk assets. Profits for the year totalled USD 664 million, as a result of which consolidated profitability stood at 12.2% of average equity (ROE) and 1.2% of average assets (ROA).

This report comprises a synopsis of the most relevant aspects of the management of Produbanco and its Subsidiaries during 2022, which was aimed at comprehensively managing the inherent risks, ensuring asset quality, and a balance sheet structure that accompanies long-term growth, maintaining the most encouraging financial indicators of asset quality, coverage, efficiency and profitability, as well as to continue leading the digital transformation in the country to achieve the objectives established in the Strategic Plan with a view to 2023.

Analysing the evolution of the main accounts of the balance sheet, Produbanco's total assets amounted to USD 6,995 million, with significant growth of USD 843 million equivalent to a 13.7% variation, above the 8.6% aggregate of the banking system. This excellent performance allowed our market share to improve from 11.7% to 12.3%, placing Produbanco as the second bank by asset size at the end of 2022.

The sources of funding that made possible the increase in assets came mainly from public deposits as a result of the confidence of our customers who increased their deposits by USD 489 million (10.1% annually), a figure higher than the 5.9% of the banking system, to reach a total managed amount of USD 5,339 million.


Furthermore, we received important financing granted by the most prestigious international financial institutions and by multilateral credit organisations that, ratifying their confidence in the proper administration of the Bank, led us to increase the balance by USD 241 million, to add a total of USD 842 million among financial obligations, bonds, and subordinated debt.

It should be noted that Produbanco became the first bank in Ecuador to place a *Sustainable Bond*, with an issue for USD 50 million that was acquired in its entirety by IDB Invest, whose resources were destined to the financing of projects with an environmental and social outlook, mainly associated with the SME Segment.

The performance of 2022 is the result of two semesters with completely different dynamics: the first, maintained the momentum of credit placement of the previous year, whilst in the second one, the efforts were concentrated on sustaining liquidity and solvency indicators in the midst of an economic scenario with little incremental liquidity and high competition to capture deposits and financing lines from Abroad.

Within this frame of reference, the gross portfolio closed at USD 4,679 million, with a record growth of USD 719 million, equivalent to 18.2%. Despite the very good management of specialised collection deployed by our subsidiary Protramites Trámites Profesionales S.A, the portfolio in arrears (overdue plus that which does not accrue) accounted for on-day-61 of non-payment, totalled USD 80 million and placed the delinquency indicator at 1.7% compared to 1.4% the previous year.

In compliance with current regulations regarding the rating of assets and constitution of provisions, we recorded an



annual expense of USD 97 million for this concept for the loan portfolio, with which we reached a balance of USD 213 million, which covers 2.7 times the portfolio in arrears.

The comparative analysis of the income statement with that of the previous year allows us to highlight the following variations:


- Accumulated net income reached USD 82.6 million, with which profitability indicators stood at 15.9% on average equity ROE, and 1.3% measured on average assets ROA.
- Financial revenues amounted to USD 496 million with a growth of USD 78.4 million equivalent to 18.8%. This variation comes from higher portfolio interests, incremental returns in the investment portfolio, and positive developments in contingent products and currency business.
- Financial expenditure grew by USD 25.4 million, to reach a total of USD 140 million, explained on the one hand, by the readjustment of local deposit rates in the face of the contraction of liquidity and the high competitiveness of the system, and on the other, by the rise in LIBOR and SOFR rates that affect the cost of external financing.
- The strategy of strengthening the financial margin led us to obtain a total of USD 357 million, USD 53 million higher than the previous year.
- Annual expenditure on provisions for total risk assets, including portfolio, totalled USD 114 million.
- Operating expenses, before the payment of contributions and other taxes, reached USD 223 million, with a growth

in the year of USD 32 million, mainly explained by the expansion of the People and SMEs business, which generates a greater transactional volume and the need to review and strengthen operational processes.

- Operating income closed at USD 104 million, which is USD 20 million more than in 2021, also explained by the greater transactionality, especially of the credit and debit card businesses.
- The non-operating income line, whose main component is the recovery of written-off assets, remained at similar levels to the previous year, with USD 51 million of revenues.

The strategic approach, the quality of the financial indicators, and the encouraging results presented in various areas of our management, made us once again worthy of the recognition of the main specialised publications at the international level: this satisfies us and challenges us to continue working to provide memorable experiences to our customers, foster sustainable development, and digital leadership.

As a result of the above, the British magazine *The Banker*, for the fifteenth time, named Produbanco as *Bank of the Year Ecuador*, and *Global Finance* magazine recognised it, for the sixth consecutive year, as *Best Bank Ecuador*. We must also proudly mention that the *MERCO Reputation Ranking of Companies* placed Produbanco in the No. 1 position of the *Companies with the Highest Reputation in Ecuador*, in the *Financial Sector* category, and within the *Top 10 of the General Business Ranking*. It should also be noted that, for the seventh year, we obtained *first place* in *Quality of Service* in the Banks category, in the *Golden Ekos Awards*.



Our Annual Report expands on these and other important distinctions that recognise various categories of excellence in resource management, green loans, innovation, and digital leadership, among others.

In line with strategic planning, we implemented a new service model in the network of agencies, to heighten the proximity to SME clients and strengthen digitalisation of those in the People Segment. We continue onward with the process of transformation from traditional agencies to digital offices, thus promoting self-service, business generation, and efficiency in the management of the face-to-face channel. The network of bank branches closed the year with 40 digital agencies and 78 traditional ones, and also with a nationwide coverage of 417 ATMs. Our subsidiary Externalización de Servicios S.A. Exsersa ended 2022 with 53 ServiPagos agencies and 16,284 PagoÁgil points that provide transactional services.

We strengthened our presence in the city of Ambato with the reopened Main Branch in the Ficoa area; in the same manner, we began the construction of the new Cuenca Main Branch, which is the most innovative urban project in that city.

Under the provisions of our Strategic Plan, in addition to the change in the face-to-face service model held in banking agencies, in 2022, we launched new digital service channels such as WhatsApp Business, the Chatbot with artificial intelligence named Stela, and the online service of various requirements through our social networks, which has allowed us to solve them automatically and agilely and has brought us closer to customers for personalised service through the Contact Centre, without the need for the user to approach an office.

The strategy also consisted of turning the digital channel into a comprehensive solution for our customers and non-customers; under this premise, we enabled several channels of digital sale of products in the mobile application, transactional web and ATMs, supporting the digitalisation process that led us to reach an indicator of 57% of digital sales in the People Segment.


Produbanco remains committed to the *Net-Zero Banking Alliance (NZBA)*, which aims to align carbon emissions from loan portfolios and investments in the financial industry to achieve net-zero emissions by 2050.

Along these lines, the certifying company *Bureau Veritas* granted our *Bank the Carbon Neutrality Verification Declaration* for its reduction in the Carbon Footprint.

Produbanco is the first private equity bank in Latin America to obtain *Certification B*. Impact Assessment B is a tool for measuring and managing the social/environmental impact of companies based on a set of management standards in five impact areas: governance, workers, environment, community, and customers.

For the second year, Produbanco received the distinction of *Socially Responsible Company* from *CERES*, which shows the commitment to social responsibility and sustainable development in Ecuador in areas such as business ethics, quality of life in the company, link with the community, and the environment.

In 2022, the work of the SDG 13 table - *Climate Action of the Global Compact's Leaders for the SDGs* Program, was completed. Under the leadership of Produbanco, the work table was closed and a tool was delivered through the website so



that companies interested in managing their carbon footprint could access the Mentoring Programme *Together to Reduce Your Carbon Footprint*.

For the third consecutive year, in partnership with the *Universidad San Francisco de Quito*, we promoted our *Gente que Inspira* scholarship programme, which seeks to promote our employer brand and attract high-potential young talent.

We maintained our permanent support to the *Su Cambio por el Cambio* Foundation, which works to serve children, adolescents, older adults, and communities in vulnerable situations.

We published our *2021 Sustainability and Social Responsibility Report*, which through a rigorous methodology and international standards, summarises the actions that Produbanco and its Subsidiaries have undertaken to consolidate itself as a *Bank with Purpose*, which promotes *Sustainable Banking* to make the changes that the country and the world need.

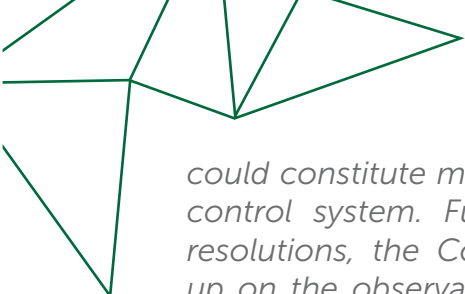
Alternatively, the Board of Directors was aware of, and approved in its entirety, the opinions and reports issued both by the Internal Auditor and by the External Audit firm of PricewaterhouseCoopers del Ecuador Cía. Ltda. PwC, on the financial statements as of December 31, 2022, which accompany this report and are published in our Annual Report. The independent audit was conducted per *International Standards on Auditing (ISAs)* and applicable regulatory provisions. The opinion confirms that the balance sheet, income statements, changes in equity and cash flows reasonably present the financial position of Banco de la Producción S.A. Produbanco and its Subsidiaries and

that they have been prepared following the accounting standards and practices established by the Superintendency of Banks of Ecuador, the Financial Policy and Regulation Board, and the policies and procedures approved by the Board of Directors.

The Internal Auditor, for his part, informed the Board of Directors that Produbanco generally complies with the legal provisions in force, its transactions respond to banking techniques, and comply with policies and procedures approved by the Board of Directors, as well as existing legal regulations. In addition, he announced that the Bank has an adequate level of internal control whose structure and procedures reasonably protect assets and that there are controls to verify that transactions are being properly authorised and recorded. The Audit Committee has continuously followed up on the reports and observations of the Internal and External Auditors and the Superintendency of Banks, as well as the action plans established by Management.

In this regard, and after analysing the internal control environment, the Board of Directors learned, approved, and in turn endorsed, the following opinion of the Audit Committee, for its corresponding presentation at the Shareholders' Meeting:

"The Audit Committee, based on the reports presented and the various aspects analysed in the meetings held during the year 2022, as well as on the annual evaluation report on the internal control system issued by Internal Audit for that year, informs that the risk management structure is appropriate to the size and complexity of the entity's operations and has an appropriate internal control structure; there is no evidence of circumstances that



could constitute major weaknesses in the Bank's internal control system. Furthermore, as required by banking resolutions, the Committee notes that it has followed up on the observations and reports of the Internal and External Auditors and the Superintendency of Banks, and similarly indicates that there is no evidence or knowledge of acts of suspicious and irregular conduct and conflicts of interest. under the terms of that legislation."

Produbanco and its Subsidiaries comply with current legislation, including the regulations on intellectual property and the guidelines provided by the control bodies. Likewise, they have the necessary mechanisms for adequate management of the risks of money laundering and financing of crimes based on international best practices and the provisions of the Superintendency of Banks and the Financial and Economic Analysis Unit (UAFE). The Board approved the report for the 2022 financial year of the Compliance Unit as well as the work plan for 2023, which highlighted the Organisation's management of activities related to the Risk Management of Money Laundering and Financing of Crimes such as Terrorism (ARLAFDT), in all of its phases.

The Board also heard and approved the Annual Report of the Comprehensive Risk Management Committee (CAIR), which details the exposures and indicators pertinent to credit, market, liquidity and operational risks assumed by the Bank in the scope of comprehensive risk management, as well as the defined limits and recommended control actions for each position in conjunction with the institutional risk matrix, which is part of the aforementioned report.

The Remuneration Committee incorporating the delegates of the General Shareholders' Meeting and other members of the Board of Directors and Administration, reviewed the


remuneration policy approved for all employees, senior executives and members of the Board of Directors, without any observations to report.

Likewise, the Board of Directors discussed the Report of the Financial Consumer Service Unit, in which in addition to the various quality programs, our specialised area reported compliance with the standards of time, opportunity in the attention and solution of requirements, service claims and others generated by the clients of the business units throughout the country.

Similarly, the Board approved the Financial Education Programme as part of the institutional Strategic Plan.

The Bank maintains best practices for the operation of the Board of Directors and the various Committees as well as for Corporate Governance aimed at strengthening the organisation, control, efficiency, independence, and transparency of its administrative structure. This Director learned about, and approved, the Report on Compliance with Good Corporate Governance Practices and Observance of the Code of Ethics and Conduct.

Ultimately, following analysis of the financial statements and equity position of Banco de la Producción S.A. Produbanco and in compliance with current regulations, this Board of Directors proposed to the General Shareholders' Meeting that it authorise the distribution of a cash dividend for 27% of the profits corresponding to the fiscal year 2022, previously observing the provisions of articles 168 and 405 of the Organic Monetary and Financial Code regarding the legal reserve fund, and that it also instruct that with the balance, a special reserve be formed for future capitalisations.



In line with the aforementioned, it was recommended to the General Shareholders' Meeting that, of the USD 82,594,678.89 of net profit for the year 2022, 10% of legal reserve be constituted for an amount of USD 8,259,467.89; of the balance of USD 74,335,211.00, the 27% cash dividend equivalent to USD 20,070,506.97, will be distributed and the balance will be recorded in reserves for future capitalisations.

It was additionally recommended that, from the reserves for future capitalisations, USD 54,860,000.00 (USD 54,264,704.03 of the fiscal year 2022 and the difference in results of previous years) be allocated for capitalisation, with which the paid-in and subscribed capital of Banco de la Producción S.A. Produbanco would reach USD 478,820,000.00.

In the Annual Report, which is available for perusal by Shareholders, customers and the general public, the aspects mentioned in this report are expanded in detail.

Finally, Ricardo Cuesta, acting Executive President during the fiscal year 2022, and responsible for it, states as a final message the following:

«Almost nine years have passed since we consolidated Banco Promerica Ecuador together with Produbanco. We set ourselves several objectives summarised in: To Be the Best of the Best.


Undoubtedly, at the end of 2022, we have fulfilled and exceeded almost everything we set for ourselves:

- To be an organisation with purpose whilst being strengthened by our institutional values and a very clear strategy, always focused on the best experiences for our customers.*

- We have formed a great team of Employees committed to an institutional culture that challenges us to act and think differently, as well as to innovate and get involved in a profound cultural and digital transformation. We are the second largest bank in the country, with almost USD 7,000 million in assets.*
- We generated net profits of USD 82.6 million, the fourth most profitable bank in the system.*
- We are the first bank in the Corporate and Business Segments.*
- We are the second bank in SMEs.*
- We are the fourth-largest issuer of credit cards in Ecuador.*
- Our new customer service model places us at the forefront as a phygital bank.*
- We are the most digitised bank in the country. Most openings of term deposits and new accounts, as well as consumer credit placements, are digital.*

Following these nine years leading Produbanco, and over twenty years with Banco Promerica, I want to express my deepest gratitude to Ramiro Ortiz Mayorga, CEO of Grupo Promerica for trusting me: it was a brave bet and a decision with a vision.

Many thanks to the Shareholders, the members of the various Boards of Directors and all of the Employees for their support, commitment, professionalism, integration, dedication, and friendship. Thank you very much for everything."



Once the Board of Directors learned of Ricardo Cuesta Delgado's resignation from the Executive Presidency of Banco de la Producción S.A. Produbanco, it approved the appointment of Rubén Eguiguren Arias, who had been serving as Vice President of Corporate Banking and member of the Executive Committee, to assume the Executive Presidency as of February 2023.

We thank Ricardo for his strategic vision, management capacity and human quality, all of which comprise leadership skills that have allowed Produbanco and its Subsidiaries to position themselves as a national and international benchmark.

We extend our welcome to Rubén in this new organisational challenge and wish him much success whilst ratifying our ongoing support for his management endeavours. We reiterate our gratitude to the Shareholders, the members of the Board of Directors, Management and all Employees for their continuous support, commitment, and contribution to the achievement of our proposed goals and results.

This report has been prepared by the Board of Directors and the Administration of Banco de la Producción S.A. Produbanco for the fiscal year 2022.

Quito, M.D., March 7, 2023.



Francisco Martínez Henares
Chairperson of the Board



Balance of the Economy 2022

Three economic milestones, and one political one, marked local and international trends in 2022. Firstly, the consolidation of the economic recovery, which had already begun in 2021 following the vaccination process in Ecuador to contain the COVID-19 pandemic; secondly, the announcement – very early in the year – of Russia's invasion of Ukraine, which generated changes in geopolitics and international economic relations, and finally, the restrictive monetary policy of advanced economies, especially that of the United States, which in the wake of seven increases in the Federal Reserve's benchmark interest rate, took this variable from a level of 0.25% to one of 4.50% at the end of 2022 to control the inflation of the US economy, which towards the end of the year totalled 6.5% (below the maximum of 9.10% reached in June 2022).

In another order of things, in the political arena, internal governance reached its highest point of tension in the middle of the year, when certain social organisations, mainly from the indigenous sector, demonstrated for 18 days to demand that the Administration of President Lasso change in economic and political matters.

All of this situation revolved around the issues described below.



Real Sector

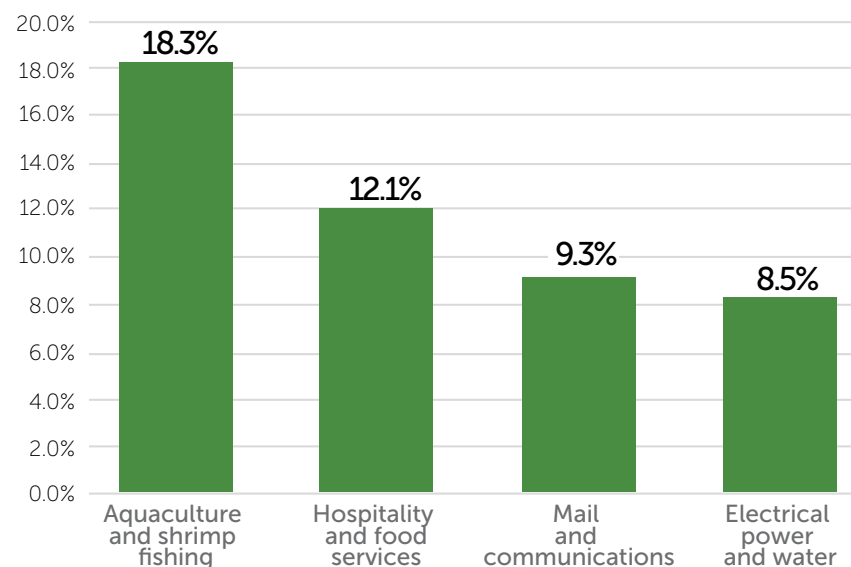
In 2022, the Ecuadorian economy managed to expedite economic recovery. The first quarter of the year began at an accelerated rate of growth, higher than expected. From the second quarter onward, the economy stalled as a result of rising volatility in international markets —a product of the war between Russia and Ukraine—, the demonstrations conducted by indigenous movements in June along with the heterogeneous control of the pandemic and its new variants. Nevertheless, the economic recovery experienced a positive boost, reflecting the acceleration of household consumption through increased consumer credit and the flow of remittances. Despite the slowdown during the second quarter of 2022, the economy grew 1.9% when compared to the second quarter of 2021, and showed even greater vigour in the third quarter of 2022, with an increase of 3.2% when compared to the same period in 2021.

The performance of the economy surpassed initial projections and prospects. As maintained by the latest information available through the third quarter of 2022¹, the Gross Domestic Product (GDP) of Ecuador increased by 3.0% when compared to that accrued until the third quarter of 2021. According to information from the National Accounts of the Central Bank of Ecuador (BCE), the components of GDP that led the economic recovery in 2022 were: household consumption, government spending associated with health and education, and Gross Fixed Capital Formation (FBKF).

In turn, maintaining the same criterion of analysis, i.e. accumulating GDP by economic activity until the third quarter of 2022 and comparing it with the respective quarter of 2021, of the 18 industries that the BCE monitors each quarter, 12

recovered. Among those with the greatest contribution to economic development, both for their share of over 5% in GDP and for their annual growth, are the *aquaculture and shrimp fishing industries* (+18.3%); *hospitality and food services* (+12.1%); *mail and communications* (+9.3%); *electricity and water* (+8.5%) —see figure 1a—; *transportation* (+5.1%); *trade* (+4.3%); *education, health and social services* (+3.5%); *professional, technical and administrative activities* (+3.1%); *public administration* (+2.7%), and *manufacturing* (+1.0%). On the contrary, the representative size industries that decreased relative to the previous year were oil and mines (-2.8%), and agriculture (-2.2%) (see figure 1b).

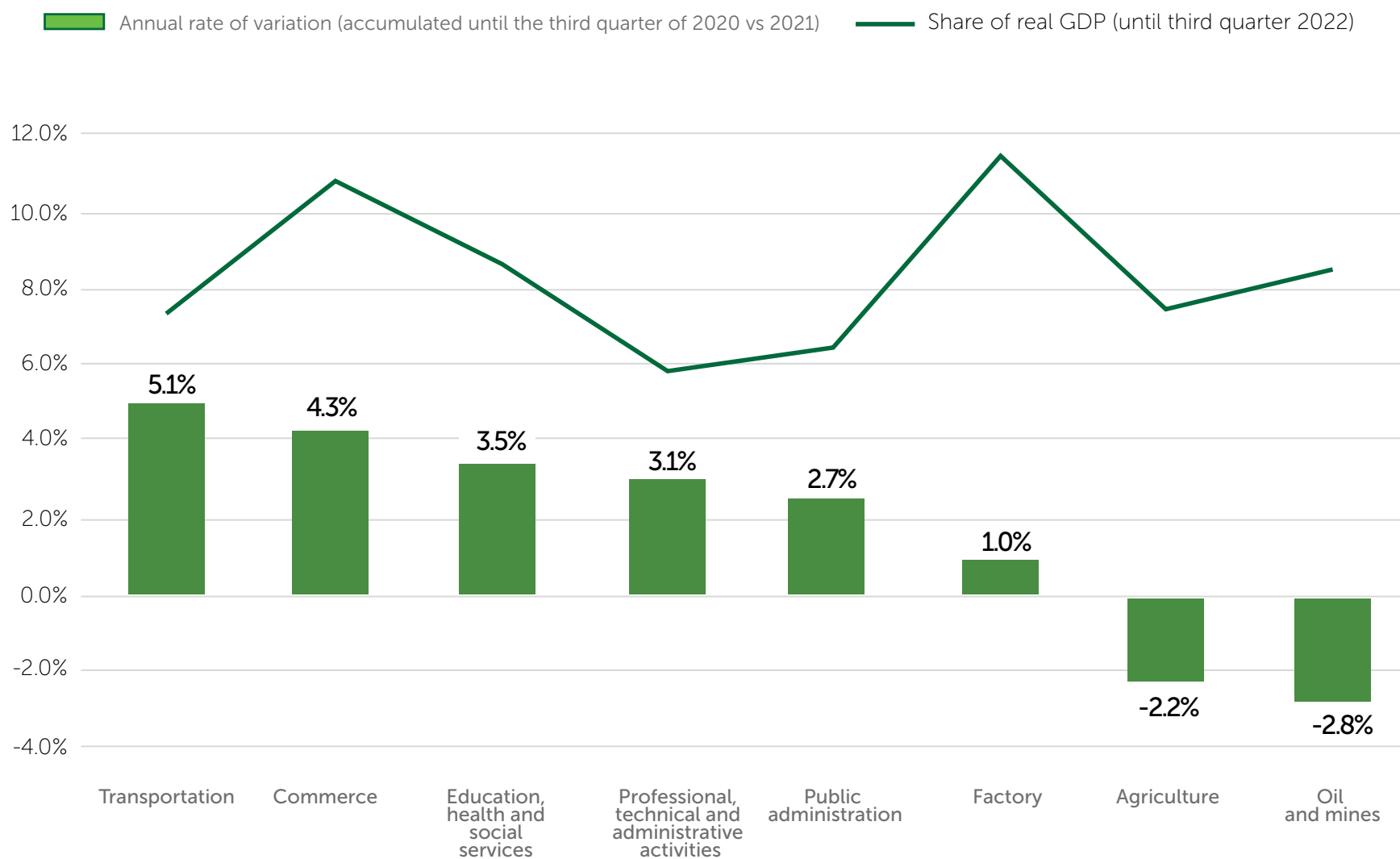
Figure 1a: Industries with the Highest Cumulative Annual Growth Rate (through the third quarter, 2022 vs 2021)



Source: Quarterly National Accounts - Central Bank of Ecuador


¹ Year-end data for 2022 will be published on March 31, 2023.

Figure 1b: Annual Growth by Industries with a Share of More than 5% of GDP²



Source: Quarterly National Accounts – Central Bank of Ecuador

² The eight industries considered represent 67.4% of cumulative real GDP through the third quarter of 2022.



The BCE has announced that, if the trends detected until the end of 2022 continue, the incorporation of the data for the last quarter of the year would confirm a total annual increase of close to 3.0%. With this consideration, the increase would be greater than the 2.7% projected on September 30, 2022 and the 2.8% estimated on April 30, 2022.

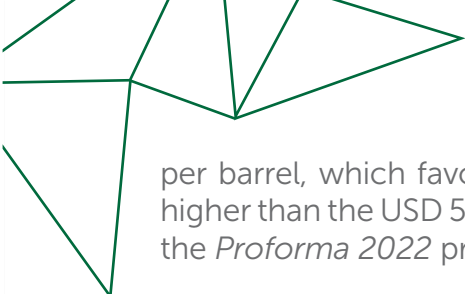
The oil sector faced production challenges in 2022. Delays in the approval of environmental licenses, power cuts and blockades by indigenous communities caused the ITT (Ishpingo-Tambococha-Tiputini) oil fields not to meet the production goals set for 2022. In addition, due to the closure of oil wells and roads throughout the 18 days of indigenous demonstrations in June, the oil sector suffered a net drop in total production with a decrease of approximately 87,000 barrels per day, which caused losses of close to USD 329 million. In light of this situation, on June 21, 2022, the Ministry of Energy and Non-Renewable Natural Resources declared a state of force majeure for all hydrocarbon exploration and exploitation operators and all phases of the country's hydrocarbon industry. As for the power cuts, these were recurrent throughout 2022, which caused the cease of operations of 728 oil wells and losses of 56,165 barrels in a single day. Under this scenario, considering the average of 480,823 barrels per day reached in 2022, it will comprise a great challenge in achieving the goal of 514,759 barrels per day presented for the 2023 General State Budget (PGE).

The oil sector was marked by a rising price of crude oil during the first half of 2022; however, it was affected by the uncertainty of the global economic slowdown appearing during the second half of the year. The trend in the price of crude oil was bullish in the first six months of 2022 when explained by the impulse of the economic reactivation that was experienced in the world, but above all, by the military conflict caused by Russia's invasion of Ukraine that began

on February 24. Although crude oil registered prices not seen since 2008, when Ecuador's marker – *West Texas Intermediate (WTI)* – was valued in the market at USD 145.3 per barrel, volatility was also observed in the price of oil due to the announcements of new outbreaks of COVID-19 infections in China. Nonetheless, during this period, WTI crude was quoted on average at USD 101.7 per barrel. During the second half of 2022, the trend of crude oil was bearish, due to the expectation that the world economy would face an economic recession due to the monetary policy measures that central banks had to implement to control inflation. To this were added the uncertain outlook for the Chinese economy, following the implementation of strict confinement measures and ensuing productive stoppages due to its zero-tolerance policy to COVID-19.

In the last months of 2022, another point to consider was the announcement made by the Organisation of Petroleum Exporting Countries (OPEC) and its allies at the face-to-face meeting held on October 5, regarding their decision to adjust crude oil production downwards by two million barrels per day from November – the largest cut since the pandemic began to avoid a collapse in the price of crude oil. However, in this context, the President of the United States ordered the Department of Energy to release nearly 10 million barrels of oil from the Energy Reserves to supply US consumers and counteract a potential rise in the price of crude oil (impact expected by OPEC), given that this fact would affect the US strategy to reduce inflation.

These consequences generated that, at the end of December, the average price of Oriente³ crude oil reached USD 71.5 per barrel, a price 12.8% higher than that of the end of 2021 (USD 63.4) and lower by 33.5% than that of the end of the second quarter of 2022 (USD 107.4). The price of Oriente crude averaged between January and December at USD 89.1



per barrel, which favoured public finances as the price was higher than the USD 59.2 expected by the Government within the *Proforma 2022* prepared in August 2021.

The economic recovery was felt mainly at the local level. Only considering domestic sales, trends recovered in 2022 and gained seasonal strength since June. The reasons, in addition to the control of the pandemic and the absence of new confinements, were the reduction of generalised restrictions on mobility and the reduction of VAT from 12% to 8% on national holidays. Domestic sales reached USD 193,598.2 million during January and December 2022; this is 12.2% more than the total sold in the same period of 2021. Likewise, when comparing this corresponding item versus 2019, a growth of 14.0% was registered. In summary, domestic sales in 2022 exceeded pre-pandemic levels.

Although sales recovered, job creation did not do so at the same pace. As of December 2022, unemployment represented 3.2% of the Economically Active Population (EAP), down from 4.1% in December 2021, 4.9% in December 2020, and 3.8% in December 2019. At the same time, Adequate Employment went from 33.9% in 2021 to 36.0% in 2022, although it still does not reach the 38.8% from December 2019. To the extent that the economic recovery continues, it is estimated that the indicators will show better results.

In line with the gradual economic recovery witnessed during the year, price developments continued at an increasing pace. At the end of 2022, annual inflation stood at 3.7%, whilst average inflation stood at 3.5%. This last percentage was higher than that registered in 2019 (0.3%) as shown in Graph 2. The consumption divisions with the greatest annual variation in prices were: food and *non-alcoholic beverages*

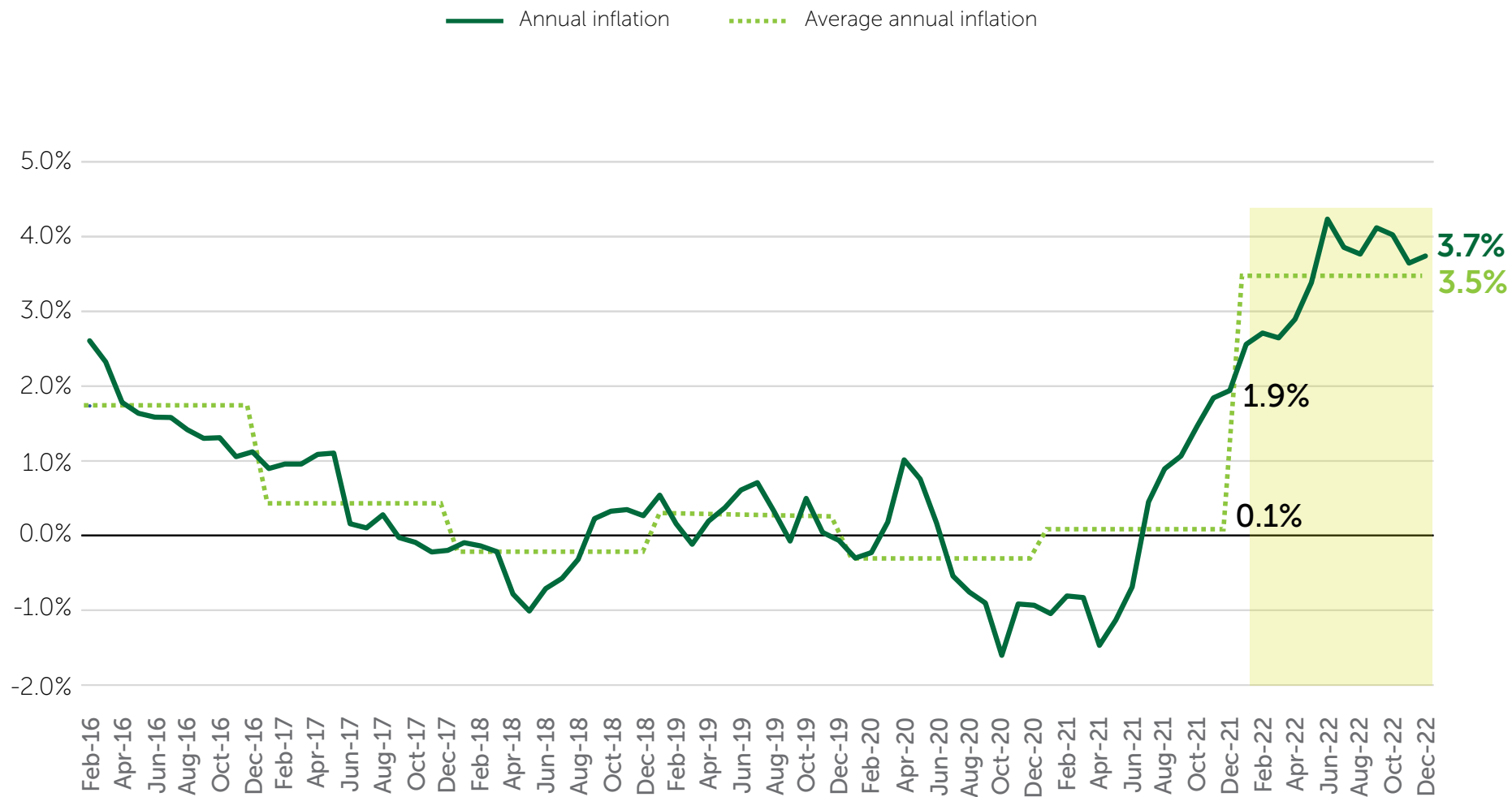
(+7.6%); *alcoholic beverages, tobacco and narcotics* (+5.8%); *education* (+5.0%); *furniture and household goods* (+5.0%); *miscellaneous goods and services* (+4.4%), and *restaurants and hotels* (+3.7%). The behaviour of these divisions was impacted by an upward adjustment in the prices of raw materials – mainly food and energy – following the war between Russia and Ukraine, the interruption in the supply chain due to the logistics crisis, the progressive return to face-to-face classes, greater control of infections, and the dynamism of demand in the aftermath of the economic reactivation brought about by the pandemic.

Alternatively, as a result of the 18 days of protests that took place in the country in June, on the 30th of that month, President Guillermo Lasso issued Executive Decree 467, with which he reduced by 15 cents the price per gallon of subsidised gasoline. Therefore, the price of a gallon of diesel ended at USD 1.75 and that of *Extra* and *Ecopaís* gasoline stood at USD 2.40. Consequently, since the second half of 2022, transport inflation gradually decreased from 8.9% registered in the middle of the year to 2.9% in December 2022.

Albeit, as an effect of the behaviour described above, the cost of the basic monthly family staple basket increased by 6.1%: it went from USD 719.7 at the end of 2021, to USD 763.4 at the end of 2022, which exceeded the price as of December 2019 (USD 715.08).

³ Weighted average price of Oriente crude exported by EP Petroecuador and published by the Central Bank of Ecuador.

Graph 2: Evolution of Annual Inflation in Ecuador



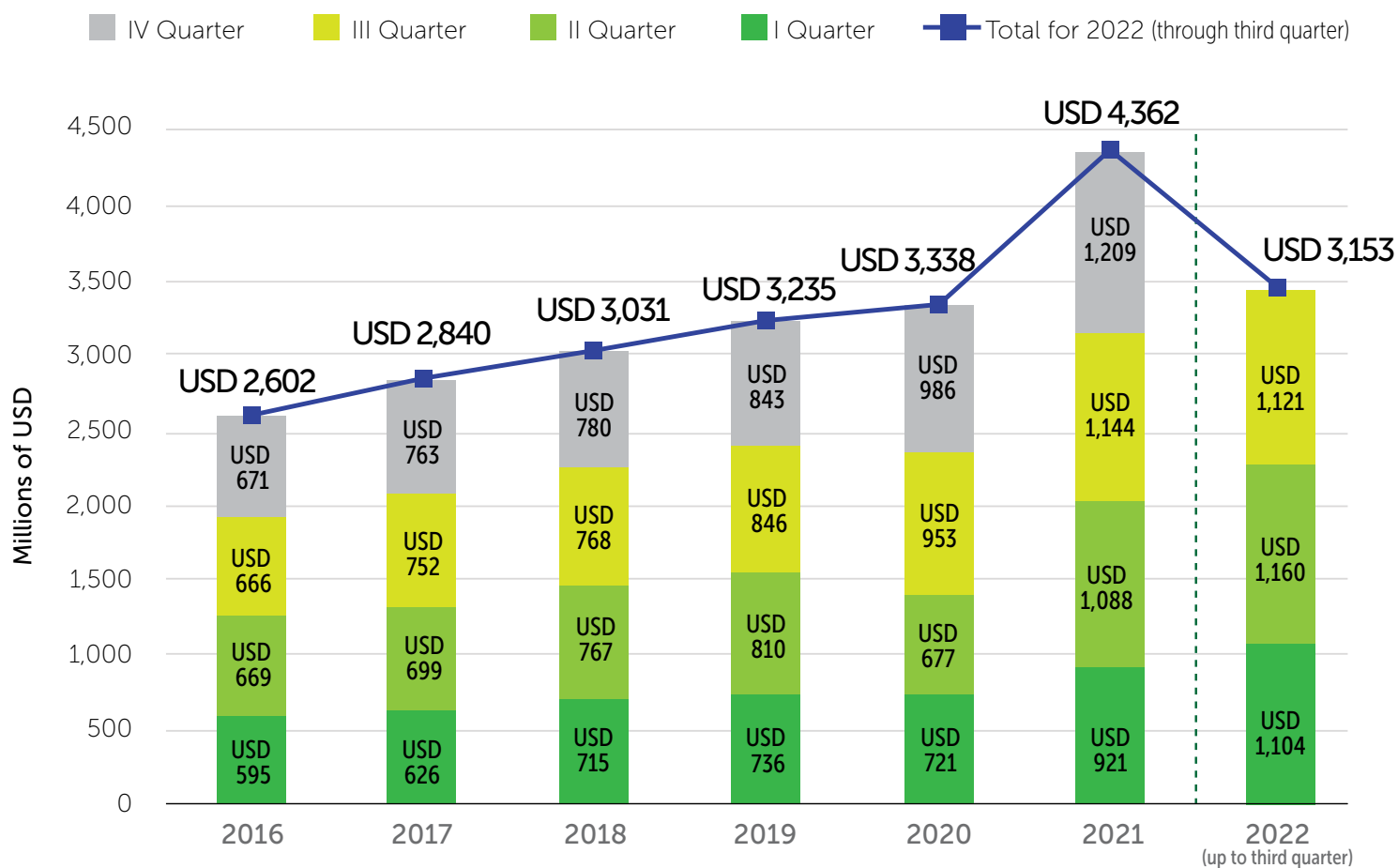
Source: INEC

External Sector


Remittances received during 2022 increased. According to the World Bank, although employment increased due to the reopening of economies following the pandemic, it is important to consider that the increase in prices adversely affected the real incomes of migrants. If the accumulated

amounts to the third quarter of each year are compared, the sum of remittances received in 2022 was 7.4% higher than in 2021 and 43.6% in 2020. Remittance growth has accelerated since the third quarter of 2020 (see Figure 3).

Figure 3: Evolution of Remittances Received



Source: BCE



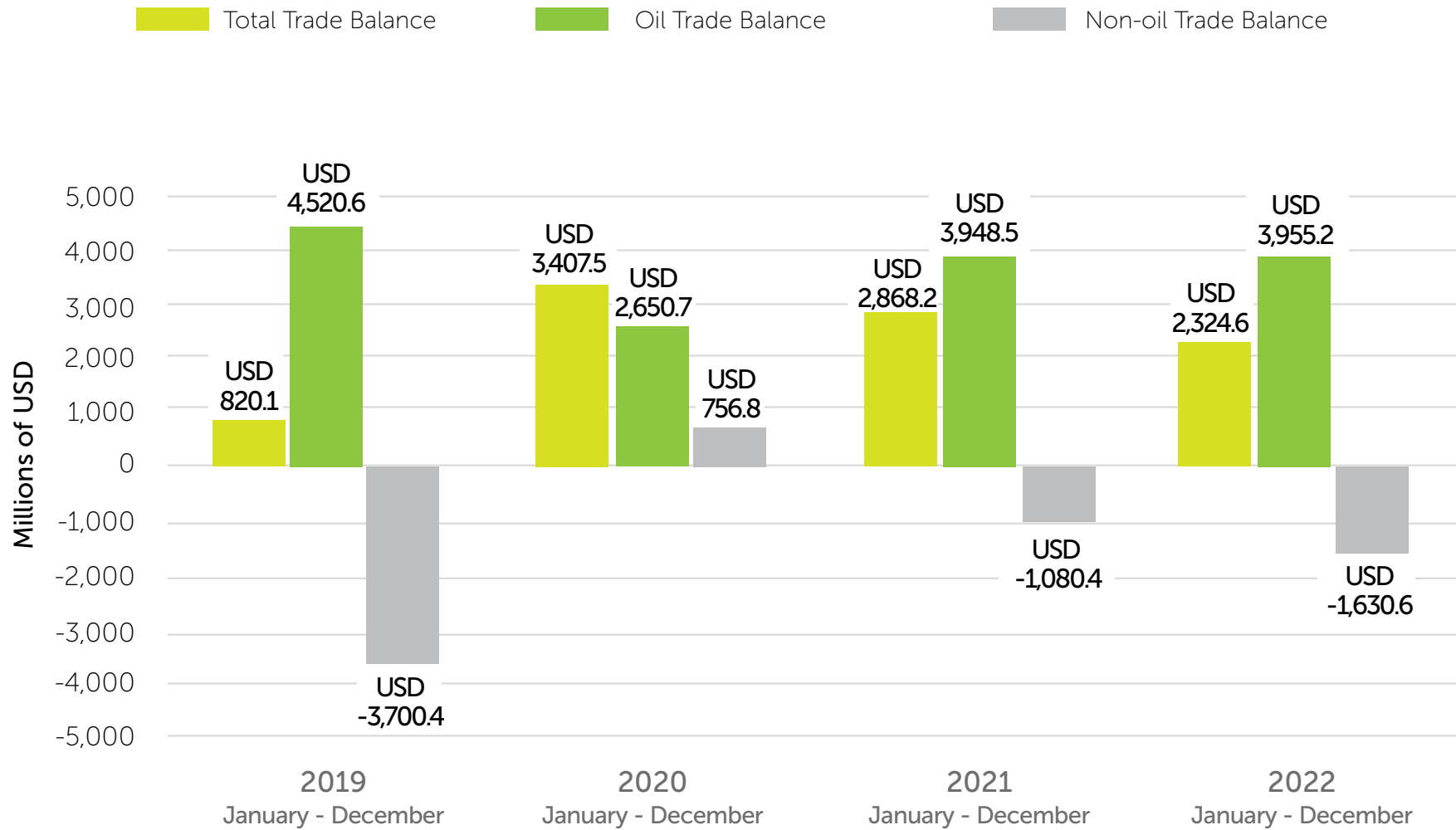
Alternatively, due to the recovery in the price of crude oil, the oil balance grew. From January to December 2022, the Ecuadorian economy accumulated USD 2,324.6 million as a surplus balance in the total trade balance (see Graph 4). This balance is composed of an oil surplus equivalent to USD 3,955.2 million and a non-oil deficit of USD -1,630.6 million. Although this last amount corresponding to 2022 was more negative than those registered in 2021 (USD -1,080.4 million) and 2020 (USD +756.8 million), it was better than that observed in 2019 (USD -3,698.3 million).

Both exports and imports exceeded the balances recorded years prior, even in pre-pandemic times. From January to December 2022, exports totalled USD 32,658.3 million, a figure 22.3% higher than that noted in the same period of 2021, and 60.4% higher when compared to the amount of 2020. In turn, the total imported from January to December 2022 was USD 30,333.7 million. When comparing this figure with the same period of 2021, imports show a growth equivalent to 27.3%, whilst, if the comparison is made against the amount in 2020, the increase reaches 79.0%.

Oil, shrimp, bananas and mining products took centre stage in exports in 2022. China was the main destination country for Ecuadorian shrimp, followed by the United States, and totalled an exported amount of USD 7,289.3 million, consolidating itself as the second largest export product after oil throughout 2022. Of total exports of the country during that period, crude oil represented 35.5% (an increase of 34.6%), shrimp 22.3% (growth of 36.9%), and bananas 10.0% (a fall of 6.3%, due to effects derived from the war in Europe). For its part, the export of mining products until December 2022, was USD 2,775.0 million, which meant an increase of 32.6% compared to the total exported in 2021, and 164.1% concerning that registered in 2020.

In this scenario, raw materials set the pace for imports recovery. The economic recovery and greater mobility ascertained in the year brought with them an increase in imports of products. In 2022, Ecuador imported USD 10,666.9 million in raw materials, USD 7,639.8 million in fuels and lubricants, USD 6,040.5 million in consumer goods, USD 5,838.3 million in capital goods and USD 148.3 million in other products. The division that is still recovering is that of capital goods, which for this period grew by 18.5% when compared to the amount depicted for 2021. This item is correlated with investment activities in industry, transport and agriculture, so it is expected to take greater dynamism during 2023 thanks to the trade agreements being formed between Ecuador and certain countries such as Costa Rica and China.

Graph 4: Result of the Trade Balance of the Last Few Years



Source: BCE



Fiscal Sector

In addition to the encouraging performance of the price of crude oil, tax collections rose more than the total collected in the year before the pandemic. The gross collection of 2022 totalled USD 17,163.6 million, 22.8% higher than that of 2021 and 20.3% higher than what was collected in 2019, which even exceeded pre-pandemic levels. In 2022, it is important to highlight that since March, temporary post-COVID-19 contributions from individuals and companies were registered per the provisions of the *Organic Law for Economic Development and Fiscal Sustainability* approved in 2021. Of the total of USD 547.1 million collected in 2022, USD 392.9 million was received in March. However, on November 30, the National Assembly decided to repeal the reform, a decision that was vetoed by President Guillermo Lasso.

Termination of the Agreement with the International Monetary Fund (IMF) and Sovereign Risk Perception

The International Monetary Fund and the Ecuadorian Government concluded the technical reviews of the agreement entered into on May 11, 2022, when the economic teams of both parties announced a staff-level agreement upon the fourth and fifth review of the Extended Service (EFF) programme. The fiscal and monetary results achieved by Ecuador in September and December 2021, exceeded projections, and the speed of vaccination processes accentuated the Government's commitment to families and businesses that gradually recovered from the ravages caused by the pandemic. These points were key to meeting the goals that the programme had set forth. Following the announcement, the country received USD 1,000.0 million. On December 14, 2022, the IMF Executive Board completed the sixth and final review of the IMF's Extended Facility, for

which Ecuador received an immediate disbursement of USD 700 million. With this facility, the Lasso Administration finished receiving the USD 6,500 million agreed in 2020, when following the negotiation of sovereign bonds, the multilateral organisation committed to financing the nation under the fulfilment of objectives.

With the conclusion of this review, Ecuador completed its first IMF-supported programme in over two decades. According to Antoinette Sayeh, Deputy Managing Director and Acting President of the IMF, the programme contributed to mitigating the socioeconomic effects of the pandemic and other external shocks whilst maintaining macroeconomic stability. In his speech, it was also emphasised that fiscal management was conducted with prudent management, in that the Ecuadorian authorities were able to meet all the quantitative criteria of the programme towards end of August 2022, in that the public sector is expected to achieve its first surplus since 2008, and in that the social assistance network was strengthened and was able to reach over 80% of low-income families.

Internal governance and external trends raised the country risk indicator. Internal political events and external monetary prospects were the main causes. On the one hand, in June, the country recorded 18 days of demonstrations and general production stoppage. The demonstrations were summoned by the Confederation of Indigenous Nationalities of Ecuador (CONAIE) under the complaint of non-compliance by the Government with a list of 10 requests for attention in economic, educational, labour, and social matters. It was decided that the government would negotiate the implementation of the requests for 90 days that led to the June stoppage with the representatives of

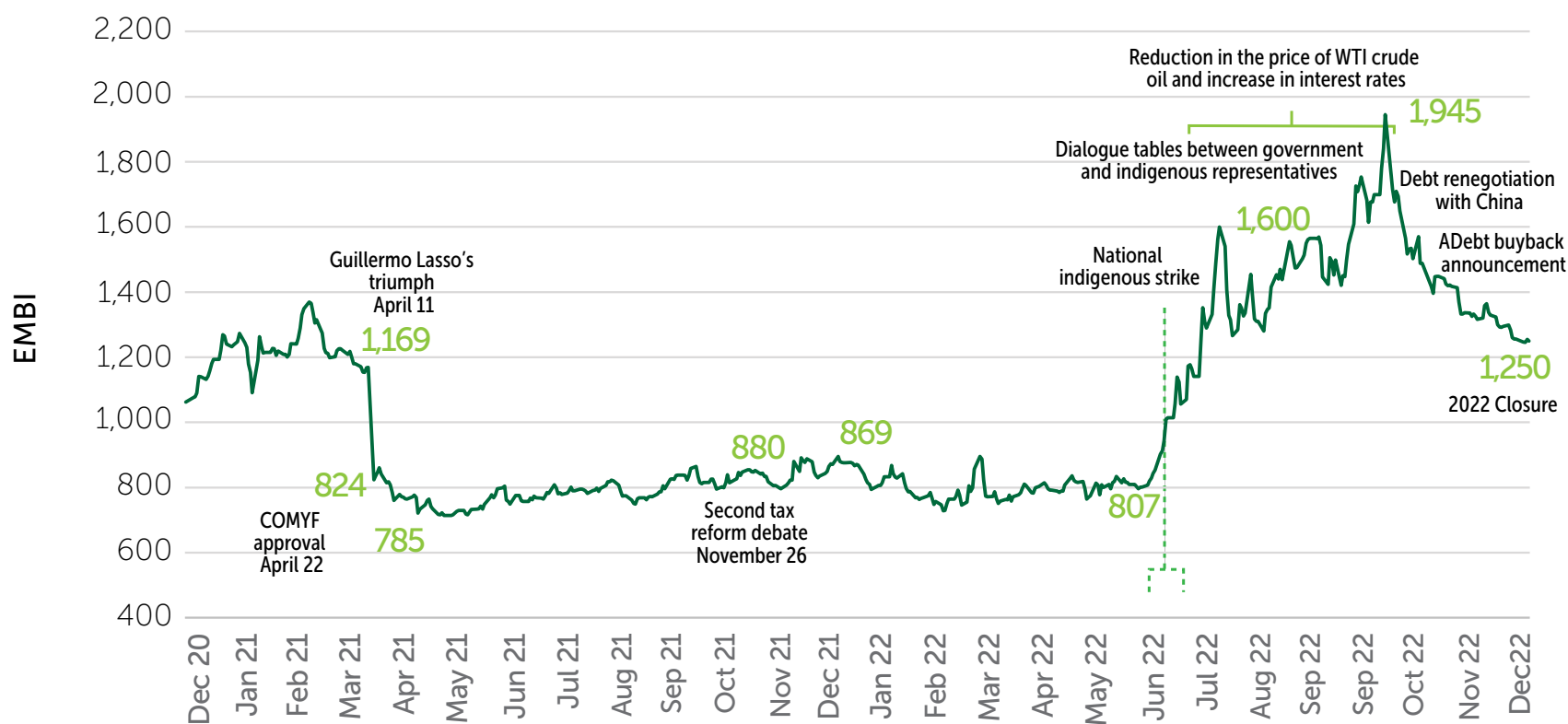
the indigenous movements. This process concluded on October 14, 2022. In this context, the perception of country risk took an upward trend above 1,100 points.

Alternatively, domestic political elements were compounded by international uncertainty in the face of slowing global economic growth; the restrictive monetary policy applied by the Federal Reserve and various Central Banks to raise interest rates to control inflation, coupled with the new confinement measures in the wake of the outbreaks in

China, which made the price of crude oil mark a downward trend from the second half of 2022.

Since the Government informed that the renegotiation of the debt with China would begin, and that for that purpose the funds of the International Development Finance Corporation of the United States (DFC) would be used, Ecuador's country risk decreased; nevertheless, it remained above 1,200 points until closing December with 1,250 points (see figure 5).

Figure 5: Evolution of Ecuador's EMBI in 2022



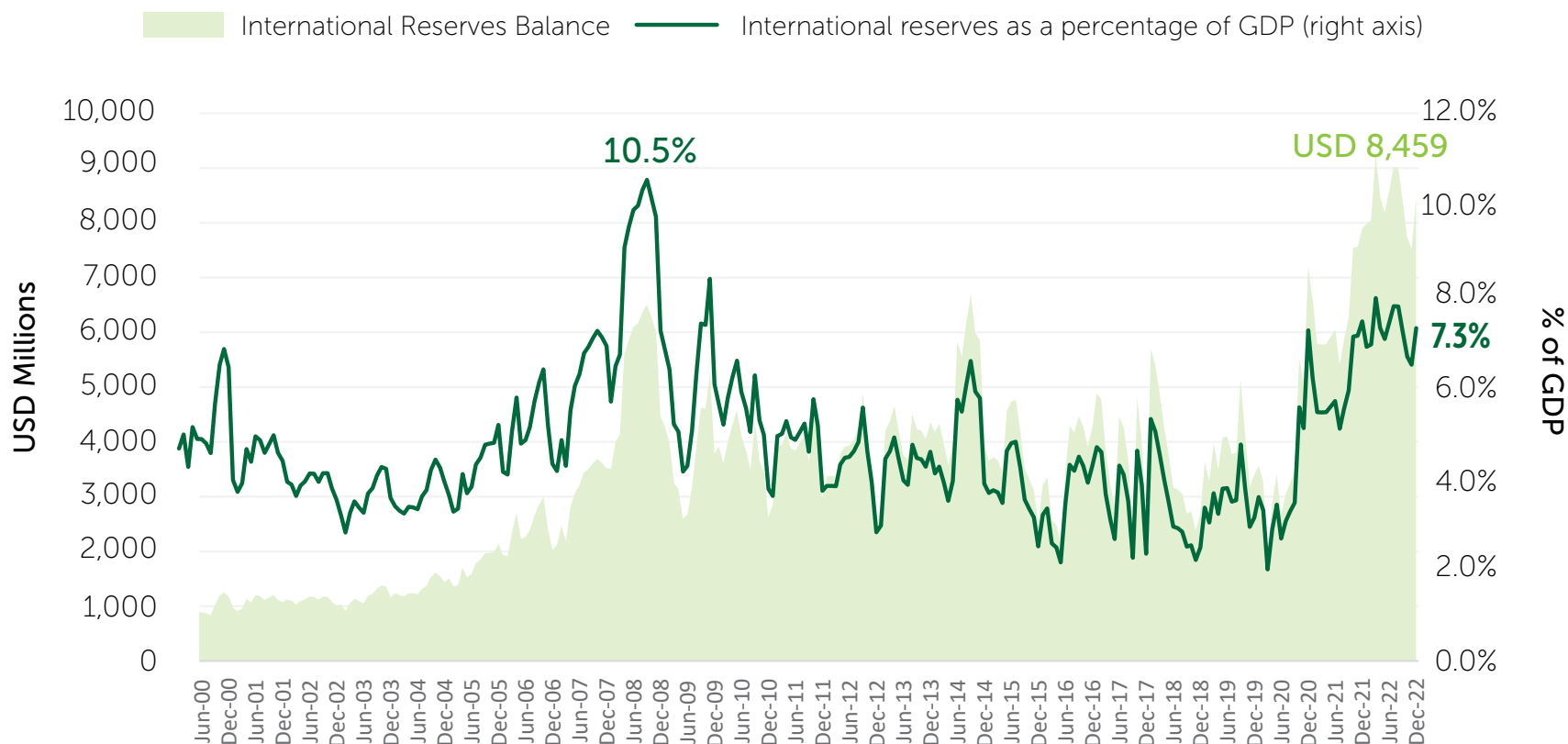
Source: JP Morgan, Bloomberg

Monetary and Financial Sector

International Reserves reached historical values. At the end of 2022, they totalled USD 8,458.65 million. This figure corresponds to a nominal monthly closing amount considered high during the dollarisation period. In addition, it is 7.1% higher than the balance as of December 2021 (USD 7,897.87 million) and 17.55% higher than at the end of 2020 (USD 7,195.65 million). If the figure is relativised as a


percentage of GDP, the indicator reached 7.3%, one of the highest since we assumed the dollar as currency⁴. According to the BCE, this result could be achieved, both by the growth in exports, greater receipt of remittances and increase in the price of crude oil, as well as by the disbursements received by the IMF and multilateral organisations.

Figure 6: Evolution of the International Reserve Balance (USD million and % of GDP)



Source: BCE

⁴ The maximum was reached on September 30, 2008 when it reached 10.5% of GDP and reserves stood at USD 6,511.5 million.



The generation and preservation of liquidity as well as the support to clients in the financial sector were the strategies that dominated during 2020, 2021, and 2022. The banking sector resisted solidly in 2020 and supported the country's productive reactivation in 2021 and 2022. The momentum recorded in 2022 was unprecedented. The bank liquidity accumulated since 2020, was channelled to the economy through the placement of credit and reaffirmed the bank's commitment to the process of economic reactivation of the country. Thus, the gross portfolio closed at USD 38,589.48 million, a balance higher at USD 4,929.20 million than the balance of December 2021, an annual growth of 14.64%. As for deposit collections, in 2022, the banking sector ended with favourable results, with an annual increase of USD 2,437.53 million, which is equivalent to a variation of 5.92%. As of December 2022, the public obligations account closed at USD 43,643.12 million.

By extending this summary of results to the total of the private financial system (banks, segment 1 cooperatives and mutualists), deposits increased by USD 2,263.85 million (+16.27%) in the year for segment 1 cooperatives and USD 8.30 million (+0.79%) with respect to mutualists. With this, market shares closed at 71.69%, 26.58%, and 1.73% regarding banks, cooperatives and mutualists, respectively. In the case of the gross portfolio, the nominal variation was USD 2,675.45 million concerning segment 1 cooperatives and USD 69.42 million in mutualists, with which the market share stood at 71.63% in the case of banks, 26.98% for segment 1 cooperatives, and 1.39% for mutualists.

Financial indicators show the soundness of the banking system. At the end of 2022, the liquidity indicator, measured as funds available for short-term deposits (up to 90 days), stood at 28.9%. This was 2.3 percentage points higher than the month prior to the start of the pandemic (February 2020)

and reflects the prioritisation that the system has given to liquidity during the last two years; it was also 5.7 percentage points higher than the month of June 2022, in which there were demonstrations for 18 days. In terms of profitability, the aggregate profits of the 24 private banking institutions amounted to USD 663.7 million (71.3% more than those of 2021 and 184.6% more than those of 2020); the ROE was 12.2% (60.4% higher than in 2021 and 159.1% higher than that of 2020), and the ROA of 1.2% (57.0% higher than in 2021 and 139.3% higher than in 2020). In terms of risk management, bank solvency reached 13.8%, i.e. 0.1 percentage points below that of 2021 and 4.8 points above the regulatory requirement of 9.0%. The Constituted Technical Equity of private banks in Ecuador totalled USD 6,649.8 million, an amount 12.9% higher than that of 2021. In terms of coverage, the provisions of the banking system represented 3.1 times the non-productive portfolio, when in 2020 they were 2.9 times. Finally, delinquency closed at 2.2%, 0.1 percentage points higher than the 2021 indicator. It should be noted that the regulator maintained the default peak at 61 days through December 2022, albeit as of January 2023, the rule to consider an operation as overdue will be 31 days for all segments, except for the Housing Segment, which will remain at 61 days.

Report of Corporate Governance

Shareholders' Meeting March 30, 2023


The Bank has a robust Corporate Governance system which is duly consolidated thanks to the constant strengthening of governance principles and the channels implemented in terms of transparency, thus strengthening institutions at all times.

In addition to the normal conduct of the meetings of the corporate governing and administrative bodies, reports and presentations of quarterly results to Shareholders have been developed regularly and are an effective mechanism for accountability, effective governance management, transparency, and information. Throughout the year, Produbanco met the regulatory requirements requested by the control bodies.

For its part, it highlights the leadership and role of the Organisation in terms of sustainability as a "*Bank with Purpose*", to the point that it has become the first private equity banking institution in Latin America and the only one in Ecuador, to obtain the international certification of *B Company*, which ratifies Produbanco's commitment to ensure a positive impact on its relations with different stakeholders.

In the latest conformations of the Directing Body, we took into consideration the parameters and objectives established as best practices in the regulations of our operation concerning gender equity and diversity. Likewise, our members executed the corresponding self-evaluations, as





well as rated the performance of the Executive President and the fulfilment of his objectives; in addition, we periodically reviewed the non-incursion of supervening facts due to regulatory prohibitions or situations that cause a conflict of interest in our members.

In the procedures and methodology conducted to measure the management and evaluation of the members of the Board of Directors performed by the General Secretariat, we took into account the appropriate skills, abilities and experience of our members, as well as the knowledge, updating, and understanding of the applicable regulations and the management and control of risks and governance. In addition, our executives covered aspects related to the diversity of its members in relation to abilities, university studies, gender, age, and professional experience. We reviewed staff efficiency concerning the sessions in relation to their dynamics, active participation, information received, duration, and topics discussed. The measurements conducted yielded positive results that indicate a correct application of the principles of good Corporate Governance. On the management and fulfilment of the Executive President's objectives, the Board of Directors pronounced itself in a highly positive manner, accrediting the work done and highlighting their leadership in the Organisation.

Similarly, we verify the periodic monitoring performed of the Strategic Plan, along with the established periodicity, where the Bank has a Planning Dashboard, which details the status of the various action plans and level of compliance with its corresponding breakdown by units and departments.

With regard to internal control, Produbanco obtained relevant results in the self-evaluations conducted in the areas of Corporate Governance, Planning, Policies and Procedures, Personnel Administration, Control Systems, and


Management Information Systems, which were endorsed by the Internal Audit.

Sustainability

For Produbanco, sustainability is a strategic commitment characterised by its transversality in all its areas, and actions are aligned with the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda and other international frameworks. Thus, Produbanco is a signatory to the *Principles for Responsible Banking (PRB)*, and in its latest publication on the progress of its implementation, the actions undertaken in each of its principles and the strategic axes promoted by the Bank, have been specified. With regard to the *Net-Zero Banking Alliance* and the challenge posed by climate change, with the technical assistance supported by IDB Invest, the Bank has aligned its roadmap with the main lines of action to comply with these guidelines and impact the real economy thus supporting the reduction of clients' carbon footprint.

As mentioned above, Produbanco has become a certified *B Corporation*, demonstrating the strengthening of its management in the areas of governance, workers, customers, community and environment, all aligned with the highest standards on the subject.

In this area, Produbanco received the Global Finance distinction as the *Best Sustainable Bank in Ecuador 2022* and, internationally, two recognitions for outstanding leadership in ESG-related loans (environmental, social, and governance). Moreover, for the second consecutive year, the Bank received the *Socially Responsible Company* distinction from *CERES*, thus demonstrating its commitment to corporate social responsibility and sustainable development. For its part, the Ministry of Environment extended the *Carbon Footprint*



*Reduction Certification of the Ecuadorian Zero Carbon Program, making Produbanco the first company in Ecuador to receive this recognition. As part of its strategy, the Bank permanently develops green and social products, manages environmental and social risk to the portfolio, manages its carbon footprint and certification of carbon neutrality, qualification of its suppliers, financial education, volunteer activities, development with the community and care for nature and the Planet, such as the initiative *Conserving Our Water Sources: The Páramos (Moorlands) of Ecuador*.*

It also highlights the issuance by the Bank, of the first *Sustainable Bond* in the country, amounting to USD 50 million, and whose destination is geared to the social and green fields.

On the other hand, the *Boot Camp* of the banks forming a part of the Promerica Group was developed, with the participation of approximately 60 employees from diverse areas such as People and Culture, SME Segment, Retail Banking, Equity Banking, and Sustainability, among others. Several working groups were held to address five different topics: green, environmental and social business, governance, human talent, gender and, the high-impact segment. These working groups were led by representatives of the banks belonging to the Group in keeping with the characteristic and theme of the table, also having PFC and FMO as participants and advisors. The topics discussed resulted in actions to be implemented jointly in the following 2 years.

Ethics and Responsible Management

This Committee addresses aspects related to responsible initiatives, equity, diversity and inclusion, financial education and health, social support, and employer branding. In this line, the Bank obtained the highest distinction of

Safe Company Seal Free of Violence and Discrimination Against Women, in recognition of the promotion of equal opportunities and the prevention of violence. Likewise, recognition was obtained as an inclusive company for the attention and socio-economic inclusion of refugees, for all employees, due to training, conversations, and webinars on financial practices. Finally, the Bank won the *Violeta Award* in recognition of its good practices in gender equity with its *Protagonistas* programme.

On the other hand, aligned with good Corporate Governance practices and concerning the anonymous complaints channel *Ethics Line*, it continues to operate normally through this medium, thus ratifying the signals of trust provided to employees. This has made possible more direct and timely management in the resolution of the cases presented. The gathering of relevant information has also contributed to decision-making and group solutions.

At the end of 2022, there were 26 cases resolved in the first instance by members of the respective Commission and where each of the aforementioned cases was analysed and managed. Following this effort, corresponding corrective measures were taken. No cases of internal fraud were reported during the year.

For its part, in terms of contracting and purchasing, the Bank began the process of implementing the Anti-Bribery Management System through an external consultancy, the drafting of the respective policy with the participation of the various areas involved, the structure of *anti-bribery compliance* functions, and the planning of the platform together with the external complaints channel for its correct operation in 2023 with a view to certification of the ISO 37001 standard.



Financial Education

In compliance with the permanent commitment to generate financial capabilities in our clients and to seek the inclusion of the community, the *Aprende (Learn) Financial Education Programme* has grown continuously, registering 2022 over 10,700 beneficiaries among children, youth, and adults – all clients, employees, schools, and members of the community in general, both in urban and rural areas of Ecuador. Face-to-face and virtual talks were given in 44 cantons in 20 provinces of the country.

In the same manner and for the second consecutive year, the *Professionalisation Programme for Microentrepreneurs and Shopkeepers* was activated aimed at PagoÁgil agents to provide administration and sales tools that support them in the efficient management of their businesses.

Similarly, as part of the regional objectives of Grupo Promerica, in June 2022, Financial Education Week was developed, through which workshops were imparted to students and parents in the community of Zuleta and in the *Fundación Su Cambio por el Cambio*.

Compensation

The Remuneration Committee analysed the policy approved for all employees, senior executives, and members of the Board of Directors, without any observations to be reported, together with the salary review executed in 2022 and the compensation strategy, both aligned with the economic conditions of the country and the market.

Customer Service

Concerning the performance of the Financial Consumer Service Unit, responsible for the administration, management, and follow-up of complaints submitted by customers and users, the Report presented and approved by the Board of Directors contains the management indicators, the breakdown of requirements and claims entered together with the analysis of operability, as well as the detail of affected values. In the same manner, the claims, queries and requirements addressed were identified whilst informing on the respective recommendations to continue providing excellent customer service. The Bank has defined policies, as well as a specialised Committee for the efficient handling of claims and measurement mechanisms based on the quality of service. In this sense, the Customer Ombudsman has conducted his duties normally and independently.

Under the foregoing, it is resolved to socialise this Report together with the attached information and its annexes and indicators, mechanisms and activities which are part of the system of good Corporate Governance performed by the Organisation in the fulfilment of its institutional objectives.



Dr. Jorge Iván Alvarado Carrera
Secretary-General


Report of the Committee on Comprehensive Risk Management (CAIR)

Management and Risk Control Model

The year 2022 was marked by new challenges in the local and international economic arena. As such, Ecuador consolidated its recovery, whose first signs were shown in 2021, by leaving behind the most adverse effects of the COVID-19 pandemic. Following the start of the armed conflict between Russia and Ukraine in February 2022, international markets faced a scenario of uncertainty and volatility that was exacerbated when the US monetary authority decided to take an active role in controlling inflation. In fact, through the implementation of a restrictive monetary policy, the US Federal Reserve increased the benchmark interest rate seven times during 2022. This went from a range of 0% - 0.25% to one of 4.25% - 4.50% at the end of the year, and in parallel, adopted a measure of the reduction of its balance (quantitative tightening) aimed at reducing liquidity levels in the economy.

To face these challenges in terms of financial intermediation, to support our clients in consolidating the post-pandemic economic recovery, and to safeguard the exposures of the institution's balance sheet to the ups and downs of international markets, we strengthened our continuous improvement process within the risk management framework, supported by the institution's solid corporate governance and coordination of teamwork with the business, control, and support units. Throughout 2022, policies, procedures





and methodologies were updated to reflect changes in the external and internal environments, as well as international risk management best practices and guidelines defined in local and Basel regulations.

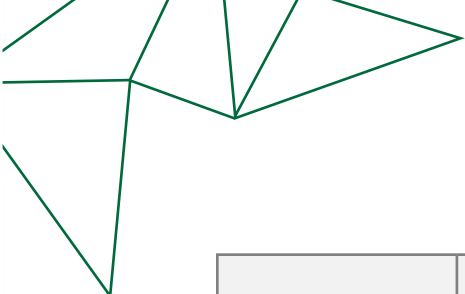
In particular, the Bank implemented two new analysis methodologies: the first, related to emerging risks, and the second, linked to strategic risk. Thus, in each case, the Bank has strengthened its risk management framework by incorporating new trends to face events and/or scenarios that occur in new or unknown conditions –both locally and internationally– and that could hinder the fulfilment of the strategic objectives of the organisation due to the occurrence of certain internal or external conditions.

Our principles are outlined below:

- **Strong employee commitment to the risk management process:** underpinned by clearly defined roles and responsibilities assigned to all risk managers and staff.
- **Risk appetite and tolerance:** supported by consolidated indicators, thresholds, limits and quantitative and qualitative methodologies.
- **Establishment of operational structures with a risk-based approach:** through which employees apply risk management methodologies that leverage the achievement of the strategy and objectives of the business.
- **Comprehensive risk vision:** This allows timely detection of risks and their impacts throughout the organisation and, therefore, generates optimal, dynamic, and flexible mitigation and response strategies.

- **Proactivity in risk management:** anticipatory perspective and the effects that risk emerging from the context may have on the various activities conducted by the Bank.
- **Robust methodologies aligned with best practices in risk management:** which incorporate cutting-edge quantitative and qualitative models complemented by stress scenario analysis and backtesting, to strengthen efficient decision-making based on comprehensive and timely information.
- **Mature internal control system:** This makes possible the progressive improvement, effectiveness, and efficiency of processes along with improved controls applied and reduced residual risk.
- **Timely management information system:** which constitutes the fundamental basis to support the decision-making of senior management.

As of December 2022, the Bank registered a low level of residual risk with a downward trend.



TYPE OF RISK	INHERENT RISK RATING (IR)	IR TREND	MITIGATION CAPACITY RATING (MC)	MC TREND	RESIDUAL RISK RATING (RR)	RR TREND
Liquidity	MODERATE	LOW ▼	SIGNIFICANT COVERAGE	STABLE ►	LOW	LOW ▼
Market	SIGNIFICANT	RISE ▲	SUCCESSFUL COMPLIANCE	STABLE ►	LOW	RISE ▲
Credit	SIGNIFICANT	STABLE ►	SIGNIFICANT COVERAGE	STABLE ►	LOW	LOW ▼
Operative. Business Continuity and Information Security	MODERATE	STABLE ►	SIGNIFICANT COVERAGE	STABLE ►	LOW	LOW ▼
Business	MODERATE	LOW ▼	SUCCESSFUL COMPLIANCE	STABLE ►	LOW	LOW ▼
Reputational	MODERATE	RISE ▲	SIGNIFICANT COVERAGE	STABLE ►	LOW	STABLE ►
RESIDUAL RISK PROFILE					LOW RISK	LOW ▼

Source and Elaboration: Produbanco



Liquidity and Market Risk

A financial institution's business model carries implicit liquidity risk which stems from mismatches between assets and liabilities. Produbanco has developed efficient and effective administration and control schemes. Within our comprehensive management framework, we have policies, methodologies, processes, procedures, instruments, and limits that make it possible to identify, measure, control, mitigate, monitor, and communicate in a timely manner, both internally and to control bodies, the liquidity risks to which the Bank is exposed.

Produbanco finances its activities through deposits of the Business and Retail banking areas, which have a characteristic of stability and high diversification, and from other various complementary sources including the local stock market and foreign operations through financial obligations and subordinated debt. Funding management was very competitive during the last year; even so, the Bank was consolidated, at the end of December, as the second financial institution with the highest origination of monetary disbursements of new credit operations in the Ecuadorian market. Credit placement closed the year at historical levels, with a nominal variation equal to USD 719.3 million, equivalent to an annual variation rate of 18.2%.

On the other hand, at the end of 2022, in the context of the recovery of the Ecuadorian economy, our obligations to the public closed the year with a balance of USD 5,339.0 million, i.e. with a positive year-on-year variation of USD 488.7 million (growth rate of 10.1%). Demand deposits went from USD 3,054.9 million (December 2021) to USD 3,230.8 million (December 2022), an annual increase of USD 176.0 million or 5.8%. At the same time, term deposits increased by USD 323.8 million to reach USD 1,985.0 million (annual

variation of 19.5%), representing a 37.2% share in the Bank's total deposits.

Aligned with the strategy of diversification of funding sources, Produbanco obtained this year a loan from the International Finance Corporation (IFC) for USD 130 million, payable in 2027; likewise, it obtained additional disbursements of close to USD 200 million from other multilateral and bilateral organisations. In addition, we issued in the local market a *Sustainable Bond* for an amount of USD 50.0 million. All these achievements occurred after demanding due diligence processes of these organisations, and constitute a recognition of the solidity of our institution and its excellent image within the international financial community.

Produbanco grew in 2022 without neglecting the proper management of its liquid assets and its hedges against its short-term liabilities. The liquidity indicator – the ratio between available funds and demand deposits and up to 90 days term – registered a value of 39.2% at the end of 2022, a percentage higher than the system average (which marked an indicator of 28.9%) and also to that reported a year ago (33.4%).

At the same time, monitoring was intensified through gap calculation and analysis of assumptions (macro and microeconomic); scenario simulations; stress analysis and backtesting, and the incorporation of new risk measurements of this type based on the recommendations of Basel III, with the intention of measuring the impact of asset, liability, and balance sheet risk management strategies.

Concerning the management of the investment portfolio, the strategy of placing the resources managed by the Treasury

focused on high-quality liquid assets along with a scheme of short-term periodic maturities, so that Produbanco could quickly realise its assets to meet any liquidity requirement by its clients. At the end of the year, 92% of assets managed by the Treasury were convertible into cash in less than 30 days, and 95 per cent in up to 90 days.

Regarding compliance with requirements and limits —both internal and those issued by the control bodies and by Promerica Financial Corporation (PFC)—, Produbanco presented extensive coverage concerning its indicators in addition to a comfortable liquidity position.

From the perspective of market risk, Produbanco's business model focuses on a portfolio investment strategy that considers a defensive position and support for liquidity; the maintenance of high asset quality; the application of the principle of diversification to mitigate counterparty risks; the search for the preservation of capital at all times, and the ongoing monitoring of the macroeconomic situation and the health of the Ecuadorian financial market as well as the countries where resources are placed. All these factors constitute key tools for the investment decision-making process.

It is important to mention that the trend of the passive rate turned upward throughout the year. In the first half of the year, competition in rates was less evident due to the availability of accumulated liquidity at the end of 2021; however, as the end of 2022 approached, amid accelerated economic activity that demanded the use of savings of customers in the financial system and therefore decreased the accumulated liquidity surpluses, the benchmark rate ended 0.44 percentage points above that registered at the end of 2021, the highest in the last six years. Given this market situation, the lending rate was also adjusted upwards and

Regulatory Requirements and Limits

Indicator	Compliance Regarding the limit
Banking Reserves	✓
Liquidity Reserves	✓
Liquidity Fund	✓
Domestic Liquidity Ratio	✓
Structural liquidity index - 1st Line	✓
Structural Liquidity Index - 2nd Line	✓
Structural liquidity index - Minimum Indicator	✓

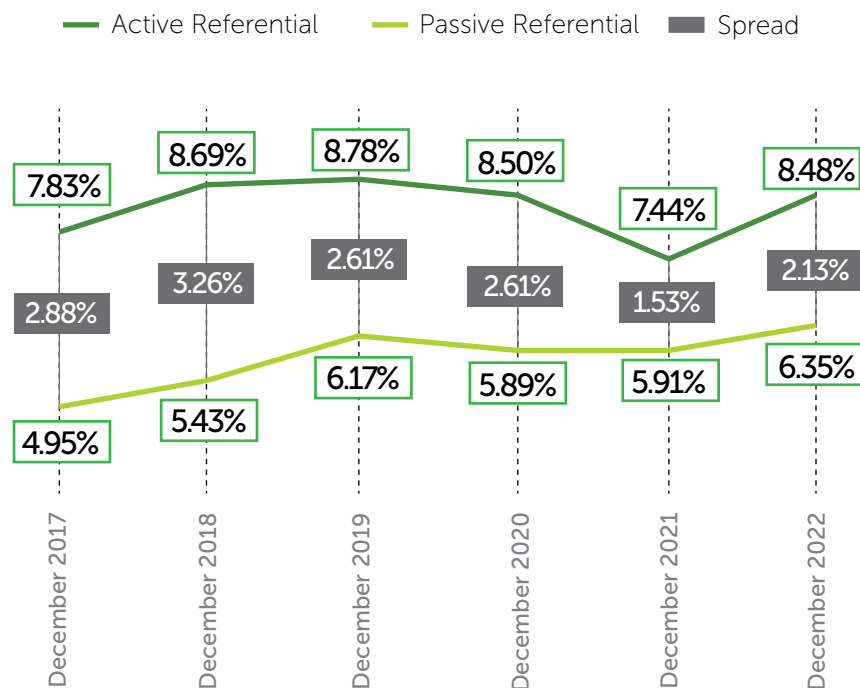
Group Requirements and Limits

Indicator	Compliance Regarding the limit
Coverage of Stressed Liquidity Days	✓
Equity Liquidity Footprint	✓
Liquidity Coverage Ratio (LCR)	✓
Liquidity Ratio	✓

Source and Elaboration: Produbanco

stood 1.44 percentage points above the value of 2021. In this scenario, the financial margin registered in December 2022 ranked as the second lowest when compared to the annual closing values since 2017. The existence of ceilings on lending rates could further narrow the margin in 2023 due to strong competition to capture deposits through the offer of higher yields. Thus, although the passive rate could continue to rise, the active rate could not, due to the maximum limits that it has.

Evolution of referential rates



Source: Central Bank of Ecuador
Elaboration: Produbanco

The structure of Produbanco's balance sheet maintained the same conservative trend on the side of the duration of assets and liabilities; this allowed potential interest rate fluctuations to have a reduced impact on financial margin and equity value. Given a variation of 100 basis points in rates, the sensitivity was 2.52% and 1.21%, respectively; both indicators are considerably below the established internal limits.

Regulatory Requirements and Limits

Indicator	Compliance Regarding the limit
Sensitivity to Financial Margin	✓
Equity Sensitivity	✓


Group Requirements and Limits

Indicator	Compliance Regarding the limit
Sensitivity +/- 1% interest rate	✓
Interest rate risk in the Investment Portfolio	✓

Source and Elaboration: Produbanco

Credit Risk

During 2022, a series of projects aimed at Produbanco's digital transformation was conducted with a view to deepening both the periodicity and the opportunity of preventive monitoring of commercial and non-commercial credit. The early warnings raised in the monitoring process contributed to the prompt management of clients, and to create, in this manner, solutions reflected in an adequate credit structuring in accordance with the financial situation of the client and the economic reality of the country.



On the other hand, in line with institutional risk appetite, provisioning levels on the total portfolio remained stable during the year. These hedges reinforce the important guarantee structures already in place for the main credit operations.

In addition, the processes of automation of different controls in the administration of credits in all its stages continued, which helped to maintain the quality of the portfolio, as well as to provide agile and effective attention to clients.

In 2022, the Ecuadorian economy marked a path towards the recovery of the country's productive activities, despite the slowdown registered during the second half of 2022 as a result of the strikes of June and a national environment of decreasing liquidity.

Hand in hand with economic growth, during the year, there was a boost in credit, with the ensuing boost in consumption, household development, job creation and increased productivity and investment. In this sense, in line with the trends of agility, security and digitalisation of the market, the strategy of credit origination through digital channels was strengthened in the People Department. This produced an accelerated growth in the placement of products such as consumer credit, automotive or credit cards, which undoubtedly contributed to the expansion and financial inclusion of more Ecuadorians. For the month of December, Produbanco reached an indicator of 79% in the digitalisation of consumer loans.


Considering the significant increase in placement, it is necessary to emphasise that the credit origination process for the non-commercial portfolio was based on responsible management of assets and risks. In 2022, work was carried out on a comprehensive financial risk control scheme

through prudent credit policies. Among the highlights of the global strategy are:

- a. The strategic segmentation in the credit processes for the non-commercial portfolio has allowed us to consolidate the multichannel placement with emphasis placed on digital processes.
- b. The speed of adaptation to market conditions has been an indispensable catalyst for the implementation of both credit policies and expansion strategies in various products.
- c. The updating of critical models for the origination process, among these the automated model of payment capacity, the approval model for products in the non-commercial segment, and the over-indebtedness model.
- d. Continuous analysis of portfolio quality in a systematic manner and customer segmentation without affecting the expected loss of the portfolio.

In June 2022, the economy of Ecuador was impacted by the 18 days of indigenous demonstrations that took place nationwide, as well as by the paralysis of productive activities, which caused losses and damages of approximately USD 1,000 million according to the estimates of the Central Bank of Ecuador (BCE), and that affected the payment capacity of our clients for various reasons: unemployment, decreased income, contraction of sales, etc.

Within this environment, during the second half of the year, the speed of credit placement slowed down as a result of the emphasis on the cautious vision for origination and the prioritisation of the best customer profiles.



With regard to the collection process, focused strategies were developed to meet the needs of customers according to their new payment capacity—considering the impact in the wake of the national strike—; in this manner, different financial relief options for the payment of their credits were negotiated, on a case-by-case basis, pursuant with current regulations.

For the second half of 2022, the version of the *Collection Creditforce* collection system was approved and updated, incorporating automated tools for collection management, as well as digital collection options planned for consolidation during 2023. Within the framework of the *Creditforce* system, in 2022, the judicial collection module was developed to enter into production in the first half of 2023; this will facilitate improved control and results in the progress of judicial instances and procedures, maintaining quality and service in interactions with customers.

The year 2021 was one of intensive accompaniment for customers in the Corporate, Business, and SME segments. With their work and our support, we managed to overcome the pandemic and restore production chains. The opportunities presented to our clients in 2022, when the markets were stabilised, could be taken advantage of in part thanks to the availability of credits opportunely directed to the productive sector, especially to those very small companies that represent the most vulnerable link within the productive structure. This scenario occurred mainly during the first half of the year.

The aforementioned led us to generate very important growth in our SME portfolio, with which we contributed to the promotion of these businesses and the deepening of credit in the country. In the Medium Enterprise Segment, we successfully sought and managed new relationships

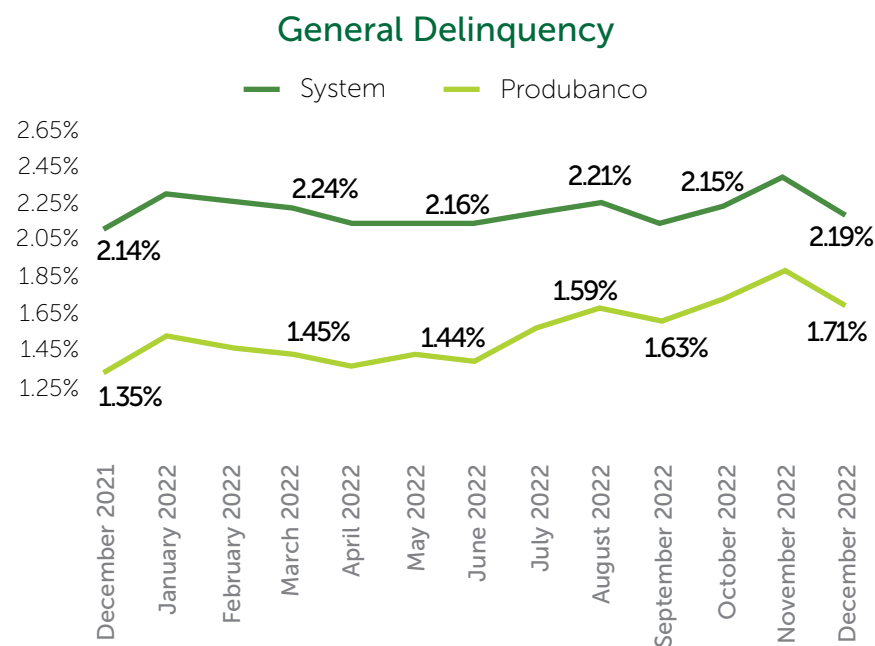
and, as in the SME Segment, we focused on relatively small companies and economic sectors that have portrayed great success in the national economic activity. Finally, in the Corporate Segment, we made available to our clients, loans with terms and structures that perfectly matched their investment requirements and working capital needs, a situation that allowed us to remain as their financial partners and serve them in certain cases through our network of foreign banks.

Faithful to our commitment to sustainability and agreements with multilateral and international agencies, we took a big step by defining objectives for the decarbonisation of the main sectors of the credit portfolio this year. Furthermore, we developed a georeferencing tool to identify and manage natural and climate risks that may impact customers, as well as 22 sector guides in conjunction with the Association of Banks (ASOBANCA). These tools will lead us to deepen our knowledge of customers and the responsible management of our credit portfolio. We are facing challenges that we are willing to assume with responsibility and environmental and social awareness.

On the side of Commercial Recoveries, a support department for Business Banking, it is important to note that, despite events such as the national strike and the negotiations of indigenous groups with the government, we continue to promote and apply our completely customised strategies for each client and their situation, looking closely at the sector to which they belong, future projections, guarantees, and status of compliance vis-à-vis other institutions; therefore, each situation is analysed in detail. Thus, through the management of this strategy, we have managed to meet the objectives set forth. In 2022, a record recovery of the written-off Commercial Banking portfolio was reached, which exceeded USD 4 million.

It is relevant to note that at the end of the year, we started working on the automation of reports and developments with the help of Data Management and *Creditforce*. We hope to achieve further optimisation in this field by 2023 to reduce the operational burden on unit officials.

The various efforts expended by the Credit, Risk, Collection, and Recovery teams made it possible for Produbanco to maintain a delinquency indicator lower than that of the financial system at the end of 2022. It is worth mentioning that until December, the registration of an operation as past due is considered a default peak at day 61 for all credit segments based on regulatory guidelines. As of January 1, 2023, the calculation will take a cut of 61 days for the real estate segment and 31 days for the rest of the credit segments, as defined by the controlling entity.



Source: Superintendency of Banks of Ecuador
Elaboration: Produbanco


Reputational Risk

Over the last four years, Produbanco has consolidated its model of efficient management of this type of risk based on a process that strengthens and connects six main stages: governance, identification, measurement, control, monitoring, and communication.

The Reputational Risk Management Model is a changing scheme that adapts to new market challenges and customer requirements. This is why it has become a permanent and priority process for the organisation. Its success is based on the following aspects:

- Timely compliance with Reputational Risk policies, processes and procedures.
- Coordinated and organised the application of communication protocols at the level of all internal and external subsystems identified in the Bank and its Subsidiaries. ias.
- Permanent monitoring of social networks and online and offline media (online and offline).
- Early detection and management of potential risks within the established framework, with the participation and involvement of the bodies called to solve these processes.
- Support for raising awareness at all levels of the Bank on the importance of proper reputational risk management.

In 2022, a digital course was launched aimed at all employees of the Bank and its Subsidiaries, with very positive results. The Environmental and Social Risk Subsystem was included in the management framework as an important input for the identification of possible crises.



Due to the excellent results of the incorporation of this risk management system in Produbanco, the PFC Group has decided to put the structure into operation in each of its member banks. The project was announced in 2022 and will be launched throughout 2023, with the Ecuador team as leader.

Operational Risk

Our operational risk management system focuses on the identification and assessment of risks in processes, regardless of whether they have materialised or not. Together, mitigation measures and action plans are determined that are monitored until they are met; in this way, it is guaranteed that the identified risks are managed in a timely and adequate manner. In this regard, the Bank formally defined three lines of defence for this purpose, a decision that will form part of the risk behaviour communication strategy in 2023.

The main operational risk management tools are listed below:

- **Risk Appetite**
It has a clearly defined risk statement for operational risk, business continuity and information security events.
- **Risk self-assessment and controls**
That are put into practice through periodic training with the owners of the processes and, additionally, identification workshops are executed. During the year, the measurement criteria were updated and the analysis of technological risk as a result of new digital transformation processes and projects was deepened.
- **Databases**
The Bank has historical information on operational


risk events that contribute to the development of quantitative risk measurement methodologies.

- **Scenario analysis**
In order to map risks that, despite having a low probability of occurrence, may impact the operations of the institution and propose proactive response strategies.
- **Key risk indicators**
They constitute an early warning system. The Bank has a system of indicators that were updated during 2022.
- **Measurement methodology**
Potential losses are measured through a Value Risk model.
- **Strengthening the commitment of Employees to operational risk management and risk behaviour**
Through training conducted through mechanisms such as digital courses and the dissemination of advice or recommendations on operational risk and business continuity issues through the institutional channel *Al Día*.

Exposure to operational risk remained low over the year and within acceptable limits of appetite for this type of risk.

Business Continuity

Produbanco's business continuity management system is mainly based on the ISO 22301 standard, as well as the regulations stipulated in Ecuadorian legislation. International best practices are continuously reviewed with the aim of incorporating them into related methodologies, policies, and procedures. There is an updated BIA (Business Impact



Analysis), with its thresholds of acceptance of potential losses and days of interruption.

During 2022, all the continuity and contingency plans of the critical processes were reviewed, updated, disseminated, and tested, considering new scenarios and strategies whose main purposes are to guarantee the continuity of operations and serve the various stakeholders. The Crisis Management Plan was also updated, a process that included the establishment of the guidelines to be followed to manage a situation of this nature and keep all interested parties informed regarding its evolution.

As technology is the cornerstone for keeping critical processes operational, all technological contingency and continuity components were regularly tested to ensure their operation should their activation be necessary. In addition, complementary services were implemented in the alternate data centre to ensure continuity of operations, and tests of their activation were scheduled and executed as part of the preventive management executed by the Bank. As a complement, the activation scenarios of the DRP (Disaster Recovery Plan) were reviewed and updated, and the RTOs (recovery time objectives) were adjusted to the new environments.

In circumstances of unavailability of the physical infrastructure of the administrative buildings, the contingency centre is kept operational in conditions that can be immediately restrained before the materialisation of the scenarios contemplated; this is guaranteed with periodic tests executed from this centre.

Likewise, the Bank applied a due diligence procedure to the service providers that support the Bank's critical processes to ensure the continuity of contracted services. The list

of critical processes was also updated to continue with management in an environment that increasingly demands proactivity and timely reaction to potential risks.

In view of the fact that the pandemic caused by COVID-19 is still in force, regular meetings of the Crisis Committee are held to analyse the situation and adopt the corresponding actions focused mainly on protecting the health of employees and guaranteeing the Bank's operation with the application of preventive measures that mitigate the risk of contagion due to the pandemic.

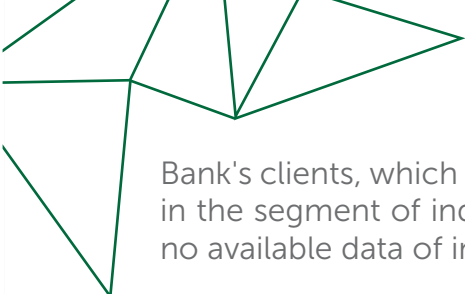
Modelling

This year, progress was made in the calibration of the scoring models for credit origination, a process that fulfilled the following steps:

- The information required by the supplier was extracted.
- The supplier developed and built the new scoring models, which were validated and accepted by the Bank.
- The supplier delivered the technical documentation and specifications for the implementation of the models in the first half of 2023.

With the support of an external provider, a statistical model was built that uses non-traditional alternative data, which will allow us to rescue customers who are rejected by our main scoring model. It is expected to be launched and put into production during the first half of 2023.

Finally, the model was updated to infer the income of the



Bank's clients, which is used for prospecting and origination in the segment of independent persons, for whom there is no available data of income in public sources.

Information Security

Throughout the year, the optimisation of the Information Security Management System (ISMS) was consolidated, in which the annual evaluation of the status and compliance of the strategic, tactical and operational indicators monitored by Information Security, was presented. In accordance with the planning established in the scope of the ISMS, as part of the asset survey and risk identification, the processes of Digitalisation, Electronic Banking, Web Cash and Exchange, and Compensation, were evaluated. By 2023, the scope is being reassessed based on the new definitions of critical processes, which are aligned with the ISMS concept and based on continuous improvement (DEMING cycle).

The Security Operations Centre (SOC) service is in place. It has eight action models and 42 indicators of commitment (IoC), which contribute to the monitoring of the Bank's infrastructure and the improvement of security levels.

The continuous identification of vulnerabilities enables the timely generation of mitigation plans before a threat materialises and produces financial or reputational damage. This year, a large volume of existing weaknesses was managed, which allowed our indicator to increase by 73 percentage points.

Phishing, *vishing*, and social engineering exercises were essential parts of the ISMS. The results of the various evaluations allowed to establish changes in the communication strategy to employees and customers


thanks to the various lessons learned, such as emphasising awareness, security culture, and attack prevention.

We execute *ethical hacking* evaluations using methodologies based on best practices to identify and verify exposed vulnerabilities and the level of risk in terms of information security, Bank applications, and services published to clients, for their treatment and optimisation in institutional security.

On the other hand, the work of the cybersecurity team was crucial in the application of the information security guidelines. Through their participation and through internal analysis of *ethical hacks* of user information assets, it was determined how security and risk levels complied with the policies and regulations that leverage the ISMS and institutional objectives. Likewise, this team conducted research on cyberattack trends, provided second-level support in incident management and supported specific projects of Produbanco and its Subsidiaries.

The annual awareness programme was conducted as planned. E-learning was published for our internal staff; thanks to this medium, 94% of employees knew and approved the virtual training. Information Security sent monthly recommendations following the flow of internal communication, to keep employees informed of various topics, such as trends of cyber-attacks internally and threats of this nature on the use of information assets, password protection and the computer, among others. In the same manner, communications were sent to customers by email and through the Bank's social networks, on topics related to information security and protection mechanisms against attacks by cyber criminals who intend to steal their information or impersonate their identity.

In 2022, the Identity and Access Management System (IAM) was implemented, thanks to which basic access



was managed for all Bank officials, such as the creation of network accounts with the corresponding profiles. Like this, the objective of reducing operational load and giving continuity in the optimisation of the system itself was met.

Four sessions of the Information Security Committee were held, with the established quarterly periodicity. Through these meetings, the Bank ratified the priority that Management has defined for the protection of its own information assets and those of its clients. Throughout the year, constant support was maintained for the initiatives and projects presented to improve the security of institutional information.



Diego Borrero
Chairperson of the Comprehensive Risk
Management Committee

Prevention of Money Laundering

Report of Assets and Financing of Crimes such as Terrorism

As of December 31, 2022

In accordance with the provisions of numeral 10.5 of Article 10, Section IV, Chapter VI, Title IX of Book I of the Codification of the Rules of the Superintendency of Banks, this Report discloses the main actions executed throughout 2022 to prevent Banco de la Producción S.A. Produbanco, is used as a means for money laundering and financing of crimes such as terrorism.

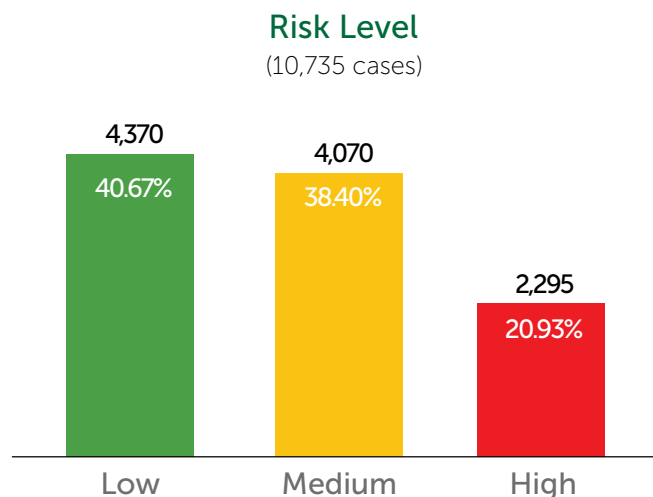
The control activities applied by the Compliance Unit, in accordance with the provisions of the 2022 Work Plan, were carried out according to the Internal Control Manual for Money Laundering Risk Management and Financing of Crimes such as Terrorism.

Know Your Customer and Market – Monitoring

The Compliance Unit carried out the process of monitoring customer transactions according to the predictive model developed with sociodemographic variables that make it possible to segment the Bank's customers by their characteristics. In addition, this was complemented with information that allows defining a transactional profile in monetary value for each client, to evaluate and determine alerts and risk behaviours.



As part of the execution of the processes described above and complying with the *Know Your Customer* policy, between January and December, 10,735 cases were opened that required additional analysis by the Business Units.

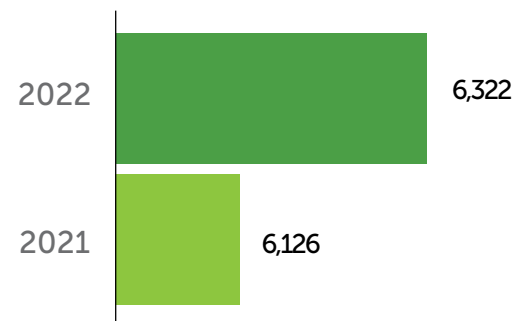


The graph above shows that, of the total number of clients, 20.93% registered a high-risk level, 38.40% a medium level, and 40.67% a low-risk level.

In addition, the automatic controls that are incorporated in our *Prometheus* banking core (the Bank's central technological system) were executed to analyse alerts on:

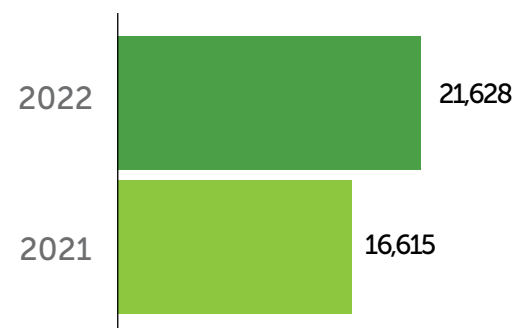
- **Risk activities:** Prior to the registration, creation, and acceptance of the commercial relationship with a client, there are controls that identify and alert on market segments and/or activities considered as high risk pursuant to international standards related to the prevention of money laundering. As a result of the application of these controls, 6,322 cases were reviewed during the year 2022.

2021 - 2022 Evolution Flows Activity Lists

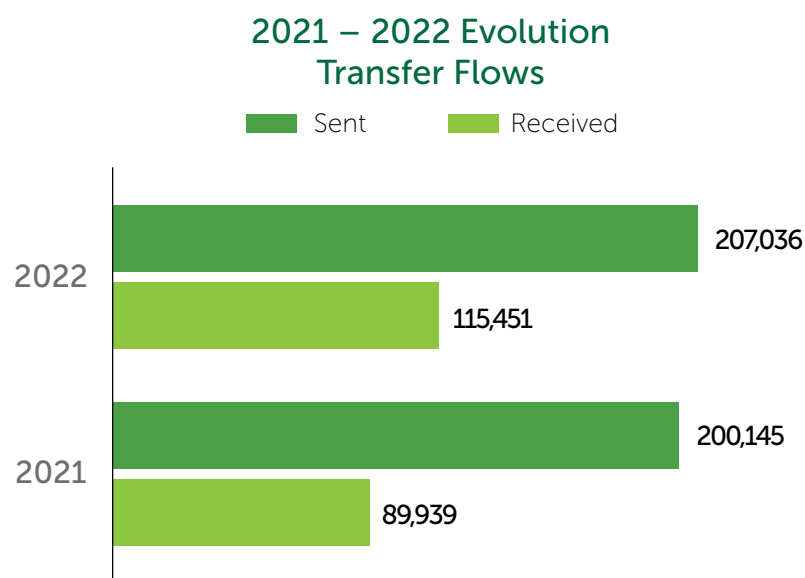


- **Coincidences, creation, or updating of clients:** This consists of the flagging of alerts when there are coincidences between the names of people who are on internal control lists and/or international reserved lists, and as well as being Politically Exposed Persons (PEP), among others. In these cases, a differentiated due diligence process must be followed. In 2022, there were 21,628 cases, compared to 16,615 in 2021.

2021 - 2022 Evolution Restricted Lists Flow



- **International transfers sent and received:** 322,487 approval flows were attended – 115,451 generated in the processes of transfers received and 207,036 in those of transfers sent – as a result of comparing the information of the SWIFT message with that registered in national control lists (PEP syndicated for crimes) and international (OFAC, UN, FBI, INTERPOL, terrorist exclusion lists, etc.), through the *Bridger Insight* and *Sanctions Screening* control systems.



Trades and Communications

A response was made to 2,325 requests for information and documentation through bulletins and official documents, and 6,389 records were incorporated and updated in the internal control lists as a result of the controls applied to the information requirements called for by the competent authority and by media review (Internet, newspapers, alert emails).

International reserved lists published on official websites are routinely updated. This process is performed through *Lexis Nexis' Bridger Insight* software, through an interface with the banking core, which alerts regarding matches of people who appear on international lists (OFAC, INTERPOL, FBI, UN, EU), local (UAFAE), and in the *Reserved List* generated by the Compliance Unit.

Correspondent's Knowledge

In 2022, all the requirements of expanded due diligence regarding customer information with transfers of funds to or from Abroad, *USA Patriot Act* Certification, and *Knowledge* forms from national and foreign banks and institutions, were met.

The procedures established for the *Knowledge of the Correspondent* were applied with the agencies with which we maintain this type of relationship, after which we determined that they comply with the delivery of information and documentation, which remain in the custody of the Bank.

Supplier Knowledge

Due diligence procedures were established for the initiation of the relationship with suppliers of goods and services, especially those considered strategic. Emphasis was given to those related to the control and prevention of money laundering and financing of crimes such as terrorism, on which duly documented individual files are kept.

During the relationship with the supplier, controls are applied in accordance with the procedures established in the standard, which allow us to identify records in checklists, as well as the existence of unusual events.



Shareholder Knowledge

The application of established policies and procedures has made it possible to identify and ascertain the basic information of all Produbanco shareholders. In the case of those holding 6% or more of the subscribed and paid-up capital, extended due diligence procedures were additionally conducted.

As of December 31, 2022, it is evident that the shareholder Promerica Financial Corporation (PFC) exceeds six percent (6%) of the paid-up capital, and has the qualification of the Superintendency of Banks through Resolution No. SBS-DTL-2014-213, and complies with the presentation of information and documentation applicable to legal entities as provided in the standard.

Employee Knowledge

The programme established to meet the employee begins in the personnel selection process of Produbanco and its Subsidiaries. Through its different stages, it seeks to guarantee the hiring of qualified personnel who fit the institutional culture in terms of values and who meet the requirements of the position.

The employee must physically complete the *Equity Declaration* form defined by the Bank, both at the time of his/her entry, as in the updates performed periodically.

Another part of the *Employee Awareness* process is to conduct periodic analyses of the transactional movements of employees and variations in their assets. In 2022, 1,616 information requests were executed to officials for transactions that exceeded the established limits along with 236 justification requirements that presented a significant equity variation.

Training

In compliance with the policies and procedures defined in the Training Methodology of the *Money Laundering Prevention Programme* and the provisions of the Manual of Procedures of the *Money Laundering Risk Management and Financing of Crimes such as Terrorism (ARLAFDT)*, induction and reinduction courses were performed for Produbanco staff and its Subsidiaries.

As part of the onboarding process, 767 new employees took the induction programme on the virtual learning platform.

The reinduction course on Prevention of Money Laundering and Financing of Crimes such as Terrorism was coordinated at the regional level. It was taken and approved by 3,246 officials, which corresponds to 99.94% of the total number of employees of the Bank and its Subsidiaries.

The content of these courses covers theoretical definitions, normative definitions, and practical examples, as well as an evaluation upon their completion. The training included certificates and knowledge assessment results.

Creation of New Products and Controls on Prevention of Money Laundering

The analysis was conducted regarding the implementation of a new channel of non-bank correspondents (NBC) identifying related risks at the beginning and during the onset of the relationship. Along this line, and with the aim of mitigating risks, the following measures were considered:

- Validation of checklists and high-risk activities.
- Relationship initiation documentation.

- Application of controls established for the opening of a checking account.
- Online control of cash deposits per individual transaction and accumulated amounts.
- Monitoring by number of transactions.

In addition, preventive controls were incorporated concerning the receipt of local and foreign transfers in relation to the individual and accumulated amount, considering risk factors such as jurisdiction, banking sector, and type of transfer.

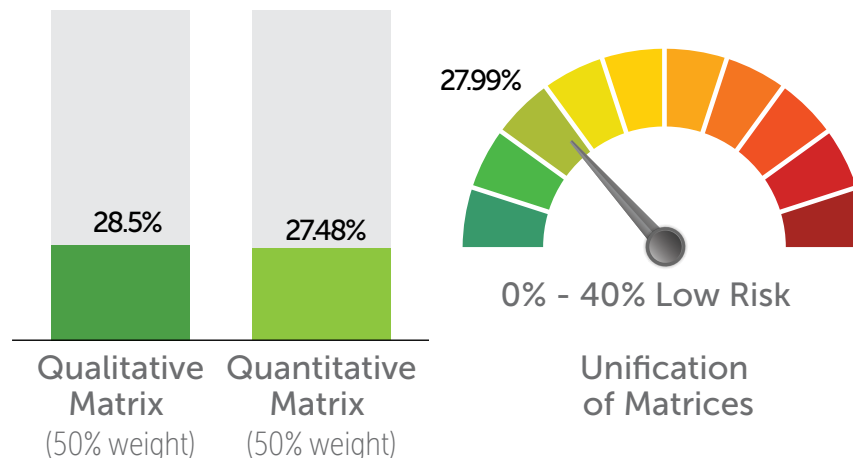
Reports to Agencies and Competent Authorities

The Reports of Operations Exceeding the Threshold (RESU in Spanish) for the Financial and Economic Analysis Unit (UAFE in Spanish) and the information structures addressed to the Superintendent of Banks were sent monthly, within the deadlines provided for in the regulations.

A total of 331 cases considered as unusual or unjustified transactions were reported to the Financial and Economic Analysis Unit.

Compliance

The results of the qualitative and quantitative risk matrices are presented below, in accordance with the methodology implemented by the Bank for the ARLAFDT, which is based on the stages of *identification*, *measurement*, *control*, *mitigation*, and *monitoring* of exposure to this risk in the development of its businesses and operations.




Regarding the evaluation of the Risk Appetite methodology, in 2022, the indicators were within the limits of appetite and tolerance, with the exception of the indicator of transfers sent that exceeded the capacity limit as a result of the reclassification of the risk category – from medium to high – of the countries.

Internal Procedures of the Compliance Unit

The Bank has a Compliance Committee, whose objective is to be a control body that supports institutional management and in turn recommends new policies and processes for the Prevention of Money Laundering and Financing of Terrorism and Other Crimes.

It is composed of a delegate of the Board of Directors who chairs the Committee; the Vice President of Legal Counsel as its secretary; two Directory members; legal representatives; the Compliance Officer; the Vice Presidencies of Operational Services, Risk Management, Retail Banking and



Enterprise Banking, and the Regional Vice Presidency of PFC Compliance, who have a say and may vote, and the Internal Auditor, who has a say in the proceedings but no vote.

During the period, the meetings of the Compliance Committee were held on the established dates, once a month in accordance with Ecuadorian regulations.

In addition, it actively participated in meetings with the Superintendency of Banks of Ecuador, the UAFE, and the Committee of Compliance Officers, during which recommendations for improvements in regulations, instructions, training and controls were discussed.

Internal and External Audit, Regulators and Others

All the requirements made by Internal Audit in relation to the Know Your Customer – Transactional Customer Monitoring Policy were met; Report of Unusual and Unjustified Economic Operations or Transactions; Employee Knowledge Policy - Sponsorship of Extra Role Transactions, and the advancement of the Compliance Officer's work plan. As a result of these evaluations, 27 reports were received detailing the risk aspects identified in each of the processes.

In July 2022, the Audit firm Deloitte received the evaluation of the Control Structure for the Management of Money Laundering Risk, and the Reasonable Assurance Report on Controls and Procedures, both with an unqualified opinion.

The firm PricewaterhouseCoopers del Ecuador Cía. Ltda. PwC will present in 2023, the results of its review with a cut-off to December 31, 2022. They are currently in the process of evaluating and complying with the legal provisions

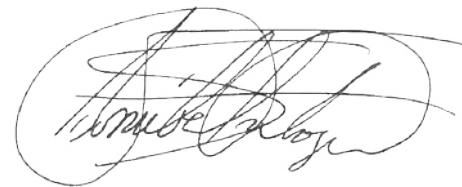
related to money laundering and financing of crimes such as terrorism.

Conclusions

The management of the risk of money laundering and financing of crimes such as terrorism has allowed the Bank to identify, measure, control, mitigate, and adequately monitor the risks inherent in its processes, products, and services through the application of preventive procedures and enforcement policies such as *Know Your Client*, *Shareholder Knowledge*, *Employee Knowledge*, *Market Knowledge*, *Correspondent Knowledge*, and *Supplier Knowledge*, as well as the updating and periodic evaluation of the money laundering risk matrix, its methodologies, and models.



Diego Mosquera Pesantes
Chairperson of the Compliance Committee



Aníbal Eduardo Salazar Buenaño
Compliance Officer

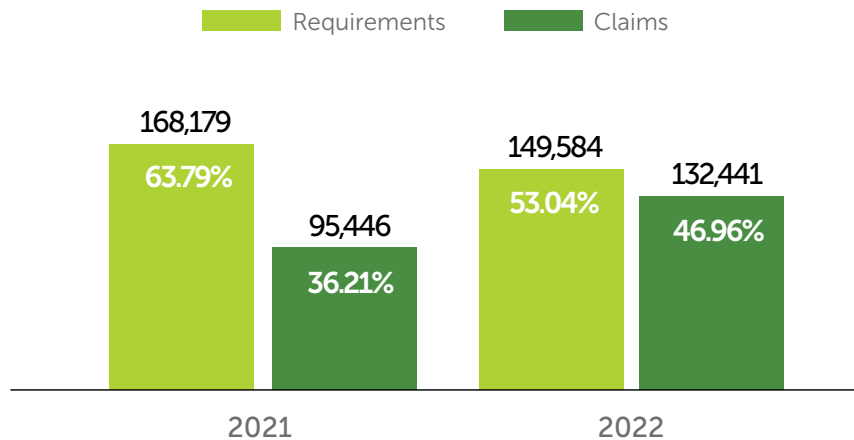
Service Unit Report of Financial User Service

Requirements and Claims

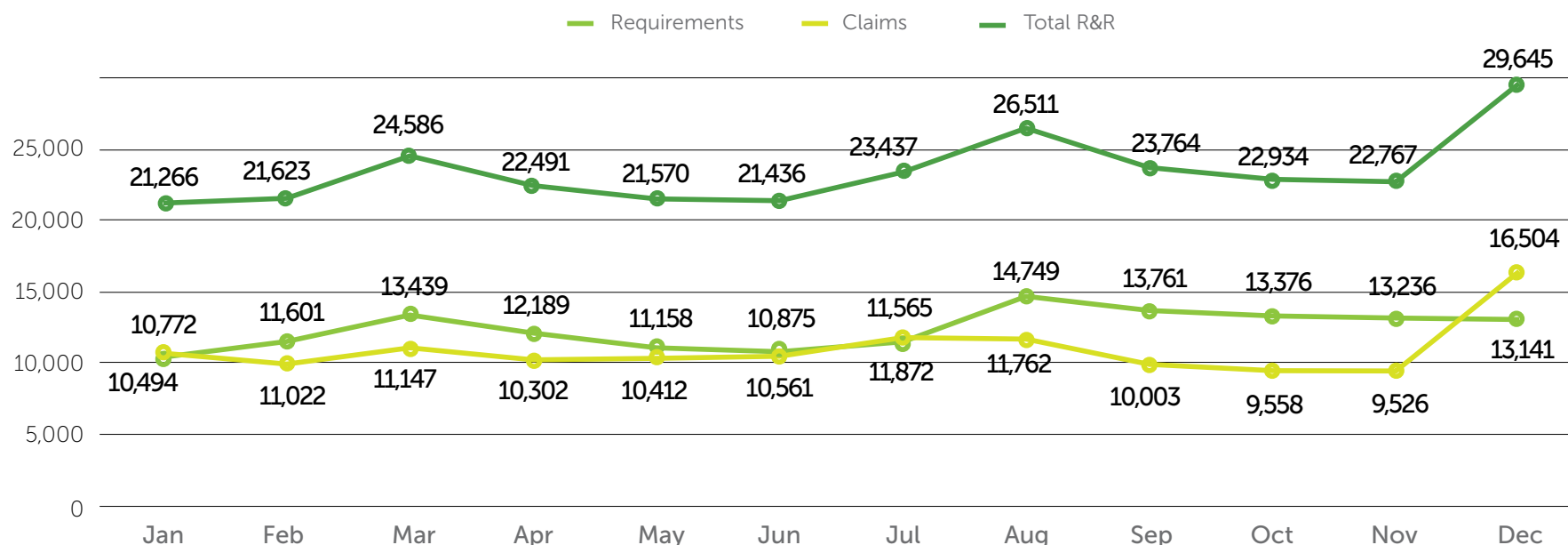
A total of 282,025 cases were processed by the Financial User Service Department in 2022; this is 6.98% more than the 263,625 handled the previous year.

The requirements represented 53.04% of the cases entered (149,584), whilst the claims 46.96% (132,441).

2021 – 2022 Evolution Requirements and Claims



Number of Requirements and Claims 2022



At the end of the year, 97.38% (274,638) of the total registered cases were resolved. Of these, 89.89% were resolved within the times established in relevant regulations.

Through the Requirements and Claims (R&R) tool, cases are processed at three levels of care:

Level 1

Solutions are provided to customers at the service front (first contact).

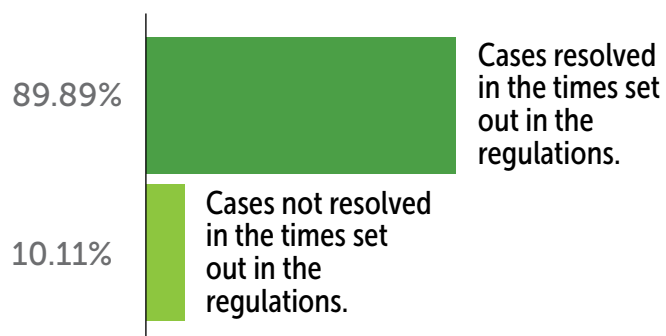
Level 2

The Financial Consumer Service Department is responsible for resolving cases that are referred to it by the first level.

Level 3

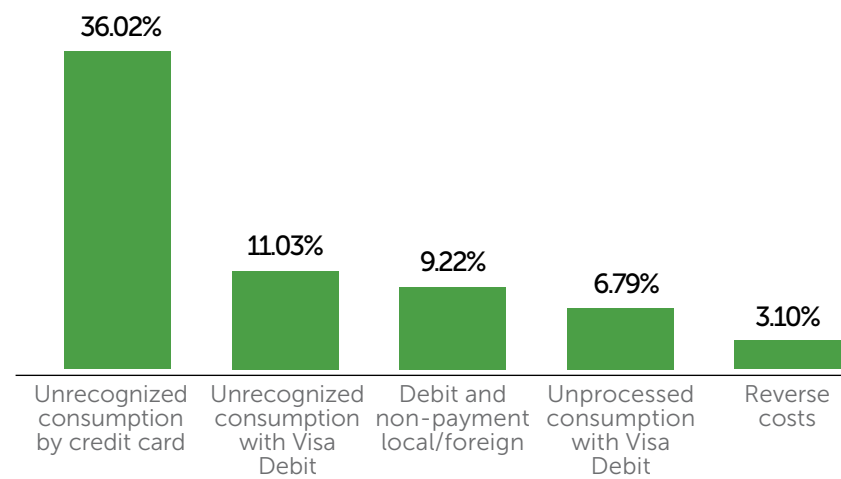
In this instance, the Operational and Technology areas – specialised in their fields – are the ones that manage the events. In addition, this level of attention has the constant support of Legal Advice for cases that require it.

Cases resolved in 2022

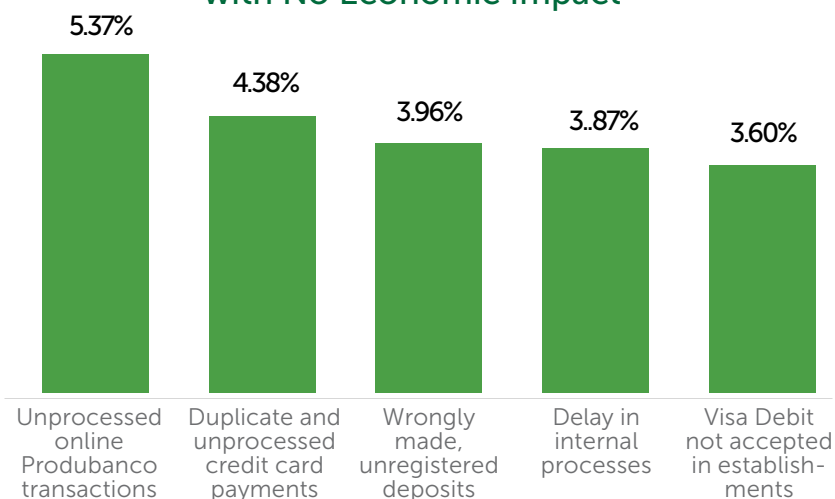


The 274,638 cases resolved in the year were dealt with as follows:

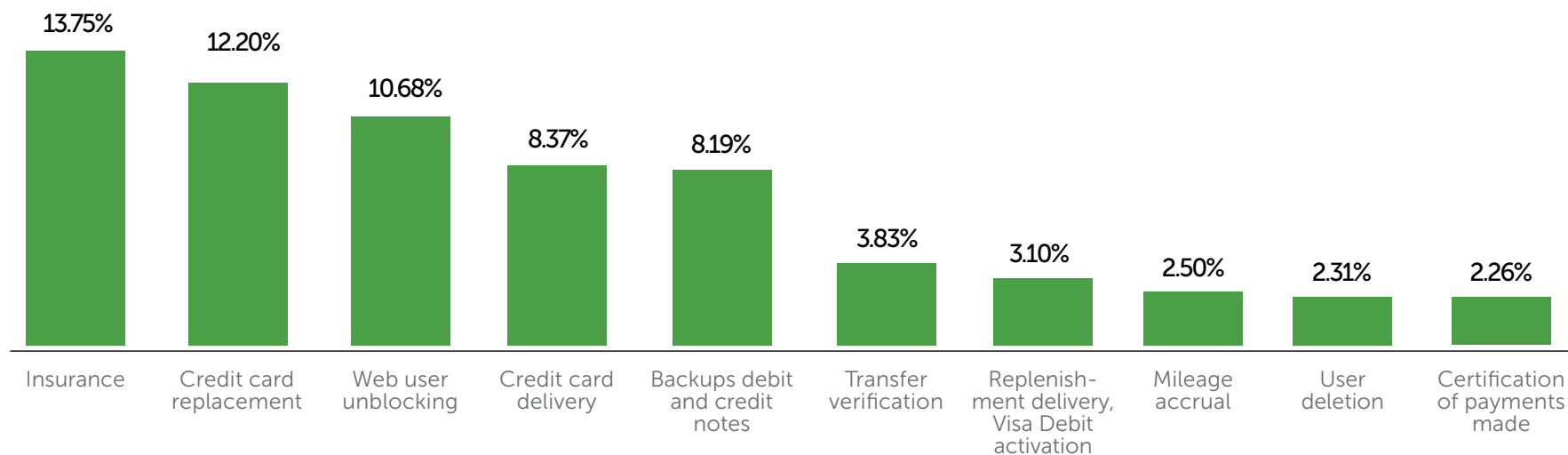
2022 Claims with Economic Impact



2022 Claims with No Economic Impact



2022 Higher Incidence Requirements



Breakdown of unprocessed online Produbanco transactions

Transaction	Cases	% Participation
Error making payments	1,085	15.25%
Error making transfers	916	12.87%
Failed to enrol	900	12.65%
Access to produbanco.com	736	10.34%
Notifications not sent	645	9.06%
Mobile Application	640	8.99%
Transaction could not be processed	535	7.52%
Non-performing income	407	5.72%
Error displaying movements	248	3.49%
Mileage accrual error	200	2.81%
Error creating payee	181	2.54%
Token via SMS not received	151	2.12%
Unprocessed scheduled payments	97	1.36%
Error parameterising quotas	95	1.34%
Error making progress	90	1.26%
Error entering additional user	57	0.80%
Error refreshing data	57	0.80%
Account Statement unavailable	30	0.42%
Error generating images	24	0.34%
Check image	22	0.31%



María Dolores Prócel
Financial User Service Unit



Culture and Experience of the Client

Customer Experience Program

In an environment in which both customers and employees have expectations that solutions are given in real-time, it is essential to transform relationship models, strengthening the organisational culture clearly oriented to offer memorable experiences to internal and external customers as established by one of the strategic pillars of Produbanco.

The year 2022, was one of challenges and opportunities. In line with the institutional strategy and as part of the digital transformation process, projects were executed and tools were developed that promoted and strengthened the *Customer Experience* programme in which listening to the voice of the customer is a key factor for the execution of actions.

Measurements were implemented through *push notifications* (messages), email, QR codes, and *speech analytics* (voice analysis), the voice of the customer programme supporting the execution of *Close the Loop*, which is the closure of the interaction, in which the client provides his/her comment or suggestion regarding the service received. Having this holistic information has allowed us to work on strategic and systematic initiatives.

An important milestone this year has been the measurement of the internal customer experience, which aims to identify



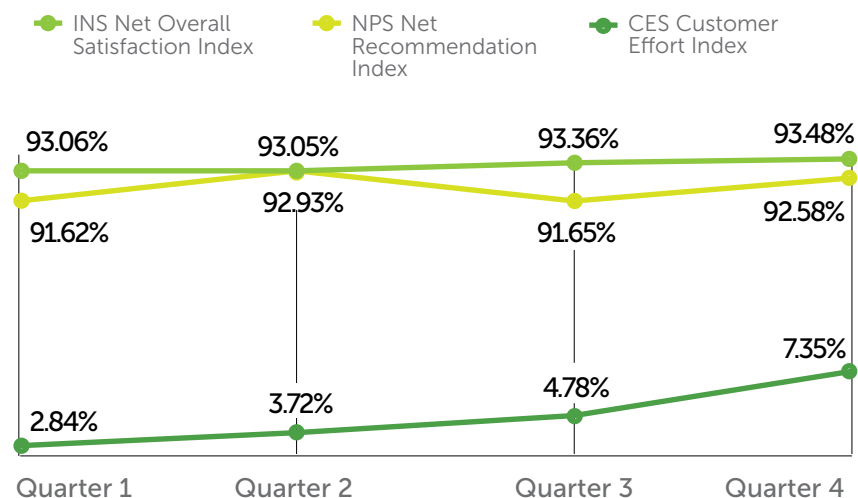
service levels across areas and how this impacts the external customer experience.

The implementation of the *Employee Experience* programme has made it possible to know the experience and interactions of the staff before, during, and after their connection to the Bank, information from which we work to strengthen the relationship with the employee and achieve greater engagement with the Bank.

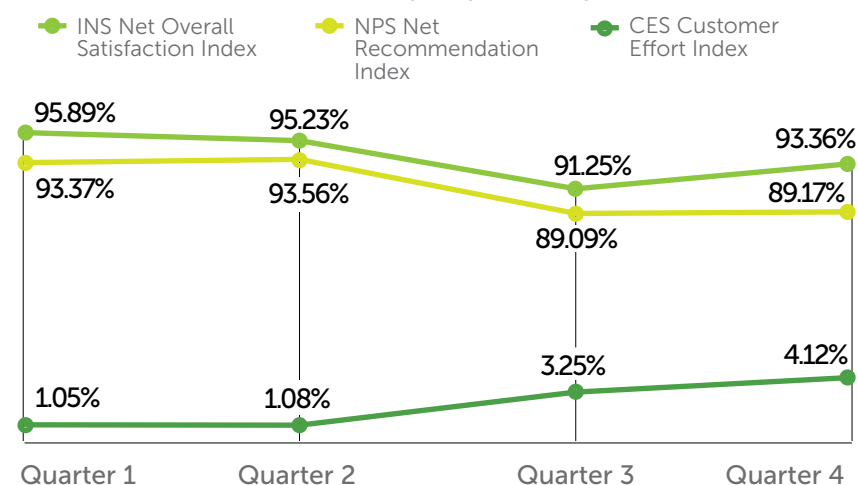
The trust of clients and the commitment of employees generated positive behaviour in the results, which remained within the established standards. The year 2022 was good in terms of customer experience; we ended up with an NPS (Net Recommendation Index) of 92%, an INS (Net Satisfaction Index) of 94% and a CES (Customer Effort Index) of 2.2%.

The positive evolution of these indicators positioned the Bank as a benchmark in quality of service and customer experience. For the sixth year, *Corporación Ekos* recognised Produbanco as the *Best Bank in Quality of Service* in the country; furthermore, for the second consecutive time, the international consulting firm IZO awarded Produbanco the *BCX Best Customer Experience* seal at the level of financial institutions in Latin America and Ecuador.

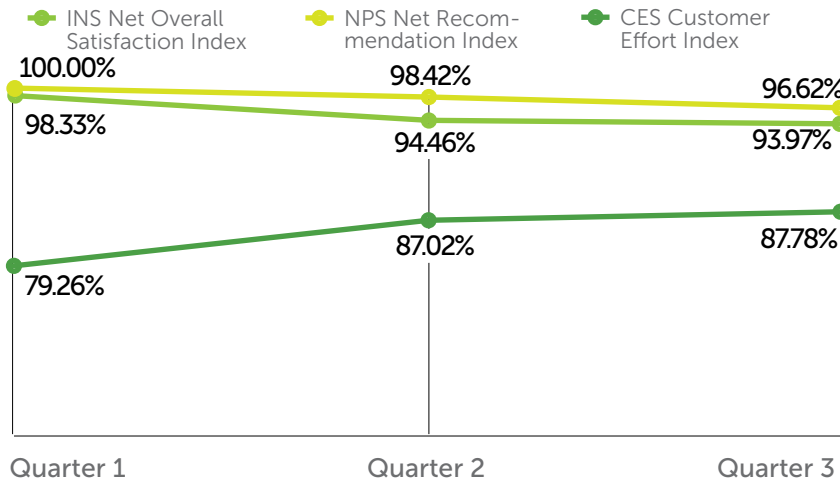
Welcome Survey 2022



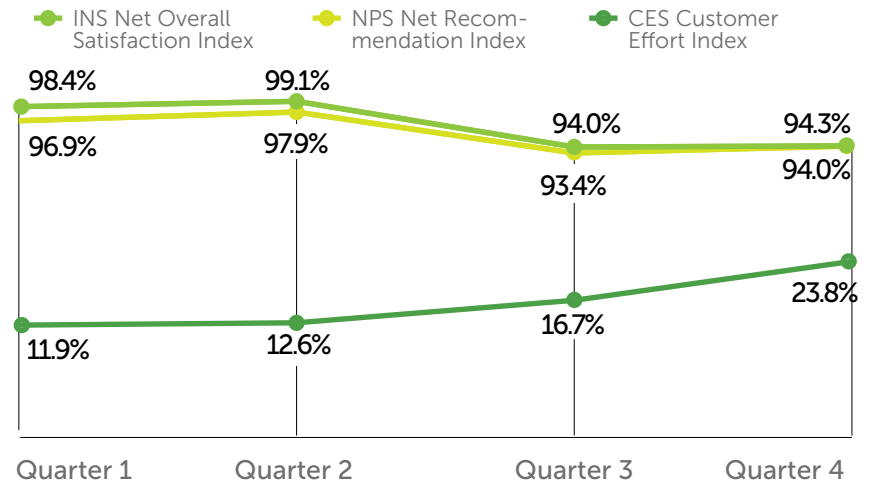
2022 Loyalty Survey



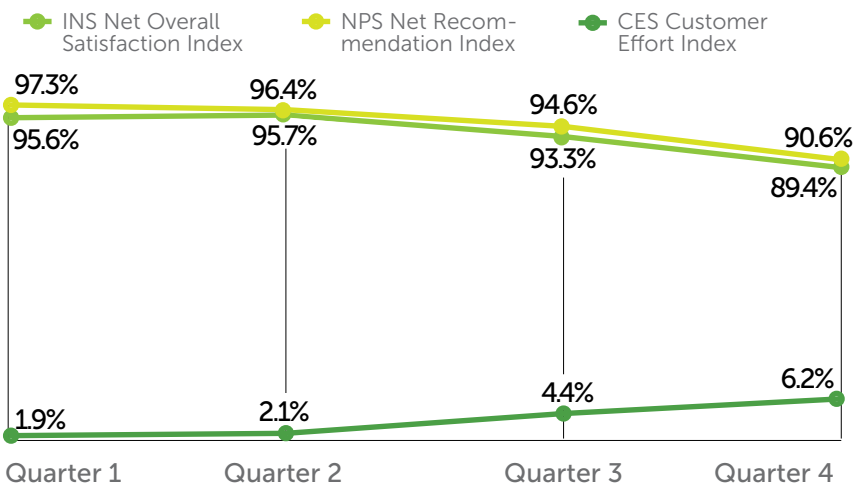
Phantom Client 2022



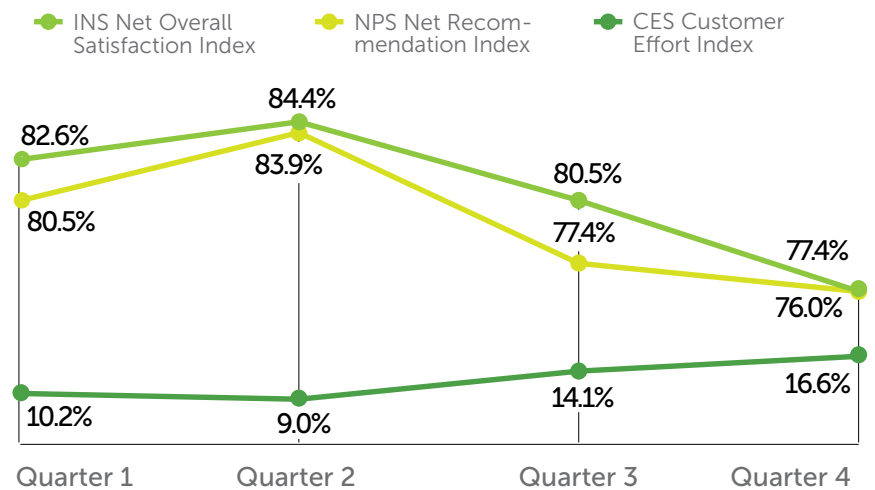
Contact Center 2022



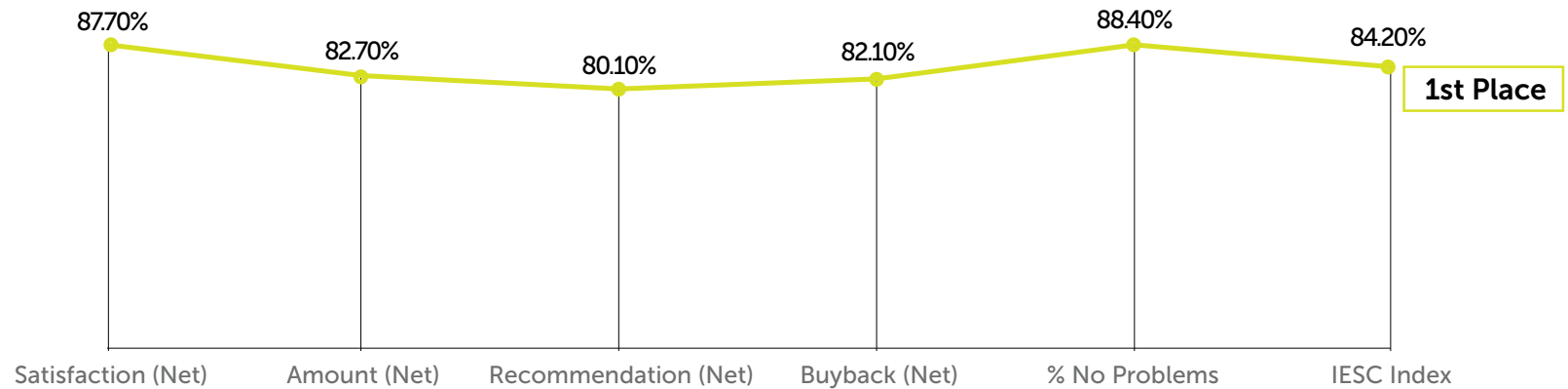
APP – 2022 Website



Claims 2022

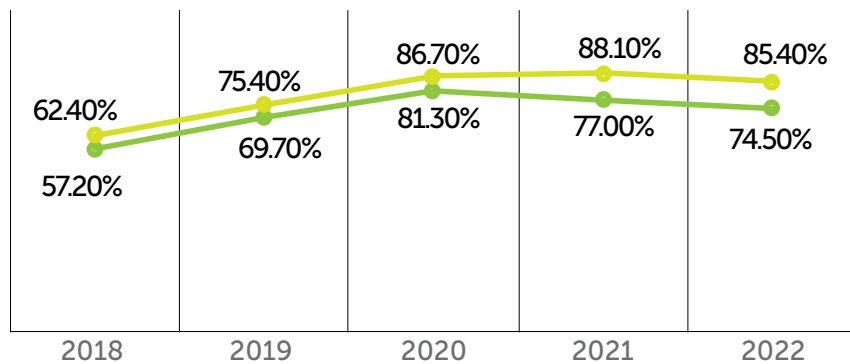


Ekos Customer Satisfaction Index



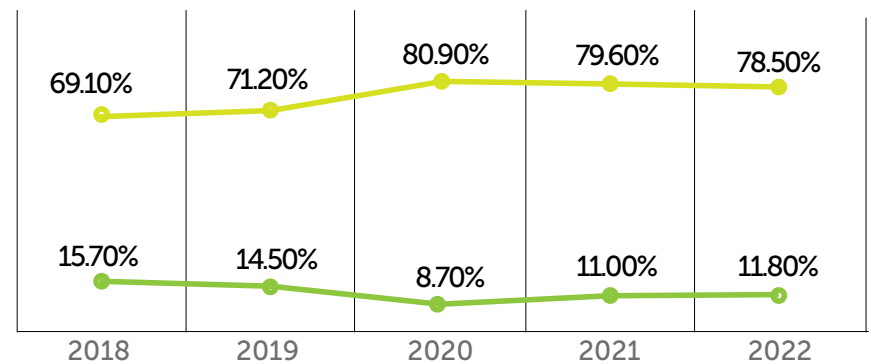
NPS - ENPS Internal Client Measurement

- NPS Net Brand Recommendation Index
- ENPS Net Employee Recommendation Index



INS - CES Internal Customer Measurement

- INS Employee Satisfaction Index
- CES Effort Index





Report of the Ethics Committee and Responsible Management

Below, please find the formal annual report of management activities conducted in 2022 by the Ethics and Responsible Management Committee, which were aligned with the best practices aimed at ensuring that organisations are not only the best in the world, but also the best for the world. These activities were conducted in conjunction with compliance and observance of labour regulations.


Within the Committee, aspects related to responsible initiatives are addressed; equity, diversity, and inclusion; financial education and health; support for the *Fundación Su Cambio por el Cambio*, and employer brand.

Equity, Diversity and Inclusion

This year, the *Protagonistas* programme was continued at the national and regional levels. We focus on strengthening nonviolence and developing personal and professional skills for the men and women of the organisation.

Women's Day was celebrated with the conference *No soy perfecta, soy amada* (*I am not perfect: I am loved*), a space in which 1,800 employees of Grupo Promerica participated. In this event, we had two special guests: Stephanie Campos (professional coach and author) and Ileana Rojas (Vice President in the Global Design Engineering Group and General Manager of Intel in Costa Rica), who shared topics such as self-esteem, courage, and personal leadership to achieve the proposed objectives.





In June, the *Regional Mentoring* programme was presented for the first time, in which *mentors* and *mentees* (mentor apprentice) from each country were registered, with the aim of forming mentoring pairs among nations. The process consists of six meetings in which the six keys to development are reviewed: *preparation, integration, build, focus, accelerate, and lead*. As such, 51% of *mentees* are women, whilst 53% of *mentors* are men. This has made it possible to enrich the participants twofold, as well as to be increasingly integrated. As of January 2023, 82% of the pairs are between the fifth and sixth sessions.

In July, Produbanco was invited to participate in the *Proequidad* Forum at the *Violeta Women in Business* event. In their respective interventions, Martha Cecilia Paredes (Executive Vice President), María Isabel Román (Vice President People Segment), and Eduardo LaFebre (Vice President People and Culture), showed the path travelled by *Protagonistas* (created in 2018) and the actions to empower female clients. In this event, the programme received the recognition of *Good Practices of Gender Equity*.

In August, *Protagonistas 631* was launched, a local mentoring programme with a record number of enrolees, which amounted to a total of 159 employees. 67 mentees and 50 mentors participated. At the end of the year, 56% of the mentoring pairs were in their fourth session, whilst 6% had already finished their sessions.

The *Fundación Su Cambio Por El Cambio* was among the participants in the *Protagonistas* event. Bank representatives were present at the conference titled "Success in Women Like You." During the event, Andrea Aguayo, People Advisor, shared the message conveyed by Rania Anderson, a renowned expert in Diversity, Equity and Inclusion, in her presentation. In addition, the Foundation's parents had the

opportunity to attend the "Prevention of Gender Violence" workshop, which was conducted by Domain Consultores.


In September and November, Produbanco received two important recognitions: The Safe Company Seal, awarded to companies that prevent gender-based violence, and the *Inclusive Company Seal*, awarded to those who promote socioeconomic inclusion for refugees through recruitment, clients, and financial education.

Finally, Produbanco participated in the first *Sustainability Bootcamp* of Grupo Promerica, to create the initiatives of the 2025 strategy on: Green Products, Technical Risk, Human Talent, and High Potential Segment.

Financial Education and Health

During 2022, through employee banking, *Mi Produbanco* provided housing, mobility, education, and health solutions to 501 employees, with the placement of USD 6,714,659 in mortgage, automotive, as well as consumer loans, and USD 1,222,326 in credit cards, with which we reached a balance of USD 19,538,894, equivalent to a 21% growth compared to the previous year. Furthermore, with the purpose of promoting savings as the means to achieve personal and family goals, we launched a campaign with which we achieved an origination of USD 17,779,492 and a final balance of USD 12,262,048, 1% higher than the goal set for 2022.

In parallel, we monitored the loan portfolio, so we did not register overdue portfolio in the operations and credit cards granted, and we maintained the service to the internal client with excellent results in satisfaction, repurchase intention, advice, and a single-digit effort index.



Since financial health is the axis of the employee segment, the corresponding index was implemented to identify the employee's ability to meet their current obligations and cover their short-term consumption needs. The variables used for this first version were: credit stability, debt level, and income quota. As a result of this analysis, a work plan was established based on personal counselling, financial education, the promotion of savings, and responsible credit.

Aligned with sustainability, *Mi Produbanco* promotes the consumption of green products among employees and encourages the reduction of the environmental footprint by offering sustainable product alternatives, such as: the *digital credit* that appears in the 2023 technology planning; alliances with suppliers of sustainable products; construction companies with *Edge* certification, and the financing of electric vehicles. We are in the awareness campaign to promote the use of these products.

Su Cambio por el Cambio

Throughout 2022, Produbanco maintained the commitment of economic sponsorship and support towards the Foundation, an essential contribution to the development and continuity of its important social and educational projects in Quito and Guaranda.

In January, the *Rifatón* (Rafflethon) was held, organised with the help of the Bank's People and Culture area, to benefit the educational requirements of the social project *Su Cambio por el Cambio* in the South of Quito. A total of USD 12,085 was raised, higher than the established goal of USD 8,000. These resources, together with those obtained through the

Zumbatón (Zumbathon) at the end of 2021 (USD 5,305), are being allocated to implement the technological and didactic improvements of the *Educational Unit of the South Project*. In May, with the collaboration of the *Influencer Group* of Produbanco (Cultural Transformation), the Business Model for the opening and operation of the South Project Bakery workshop was delivered, which began production in July with two varieties of cookies, as defined in the above model.

This initiative also had the voluntary participation of over 300 people—all Produbanco employees—who contributed month after month to this cause, whose purpose is to generate income for the self-management of the project, in addition to considering the educational component and preparation in the trade for beneficiaries.

In 2022, the Foundation maintained the cooperation of several Produbanco employees through *Volunteers for Change*, which aims to extend the link between the two organisations. Through this proposal, the employees were able to be part of the permanent contributions to the Foundation, both economically and in volunteer actions, on the various fronts and projects that *Su Cambio por el Cambio* conducts.

In the month of December, Produbanco purchased 2,500 bags of *Su Cambio por el Cambio*'s seasonal sweets. These were given out to the children of the bank's employees as well as various foundations that the bank supports. The distribution took place as part of the South of Quito Project, which also provided employment to 50 individuals who were in a vulnerable and unemployed state. All of these individuals were either parents or relatives of the children who directly benefited from the project.



Employer Brand

Data TourPro

It was born with the idea of attracting young talent with STEM (Science, Technology, Engineering and Mathematics) skills, with the aim of creating a hotbed of talent for current challenges. Over the course of the year, we launched the project through LinkedIn and strategic alliances with universities where we had an impact of 90 enrolees. In May, we started the first edition of *Data TourPro* in the Data Management Department, with five interns who participated in the *My First Credit Card* project for a period of three months. Very good results were achieved, so two internships were extended and to date, we are moving forward with the hiring of one of them as a Data Analyst. In September, we had the second *Digital TourPro* edition in which we worked hand in hand with the digital development team in the POC project - *Modular Web Solution Migration to .NET 6 and React*. We currently have one of the interns as a digital developer. In 2023, we will move forward with the third edition to have the best young talents within the organisation.

Dual Training

Produbanco participated in the Dual Training programme, promoted by SDG Leaders of the Global Compact in the chapter "*Decent work and economic growth for women, men, youth, and people with disabilities*". Specifically, we work on the socialisation of the programme to over 300 young people, who through this theoretical and practical programme, whose duration is two and a half years, will be able to access a third-level academic degree. In addition, within the socialisation process, we approached leaders of

10 companies of the area to be part of this initiative, opening spaces in their companies for the practical training of these young people.


A Space to Think

This initiative was created as a contribution to the community of companies headquartered at Ekopark, to generate spaces for reflection and learning for employees, primarily for their personal lives. Among the topics taught are those related to diversity and inclusion, resilience and attitude, time management, health, and family-related issues.

Perseverance Mission

Aligned with our strategy, we have created the *Perseverance* mission, a development programme that seeks to identify potential leaders who leverage the success of *Digital Transformation* through accelerating their development process and driving their talent into the future in the organisation. *Perseverance* is NASA's fastest robot looking to explore Mars' atmosphere and prepare for a future human presence on this planet. This is the analogy we have used to create *Produbanco's Perseverance Mission*, with a view to continuing to prepare for the digital world and be ready to face the challenges of the future.

Our mission has two types of crew members: mission experts, strategic-level employees who will receive specialised training to enhance their skills and add value to their current position to continue promoting digital transformation, flight trainees, and tactical-level employees who will develop transversal skills through a Career acceleration programme aimed at high-potential employees, which will allow them to prepare for future challenges.



In the inaugural edition, a total of 33 of our staff members comprising of 5 mission experts and 28 flight trainees, shall be granted the opportunity to partake in a training program of elevated standards. This program aims to equip participants with a futuristic perspective through the valuable experience gained.

People Who Inspire

Through the commercial accord between *Universidad San Francisco de Quito (USFQ)* and Produbanco, the *Gente Que Inspira* scholarship programme has been established with the objective of attracting talent and fostering cognitive and practical growth in students, consolidating a mutually beneficial alliance between the academic and business sectors. In addition to generating business for the Bank, the University disburses funds towards scholarships for the most deserving students. Produbanco plays an active role in selecting the recipients of the scholarship and also provides them with the opportunity to partake in internships within the organisation and establish connections for the future.

To date, we have conducted two editions of the program. The first edition took place in 2020, with a total enrolment of 111 students, out of which five were granted full scholarships for their academic career. As part of the programme, these students were given the opportunity to undertake internships in various departments of the Bank. The second edition, held in 2021, saw 54 students enrolling, with four emerging as winners. The program has also helped us to enhance our reputation as one of the top companies to work for among the newer generations and strengthen our employer brand.

In February, the third edition was launched, of which we hope to grant scholarships to a total of approximately seven to eight students.

Produtalks

Produtalks was established as an initiative to foster networking and engage with the Produbanco community, comprising of key employees, former employees, and potential recruits, with the aim of attracting and retaining top talent. This programme strives to provide participants with a memorable experience and value addition through diverse themes. Throughout 2022, three editions were conducted. The first edition was held in February, which included a banking talk and a craft beer tasting, with two distinguished guests, namely Bernardo Orellana (Deputy Minister of Finance and former Produbanco employee) and Vicente Albornoz (Dean of the School of Economics & Administrative Sciences at UDLA and a renowned Economic Analyst), who presented and discussed the economic prospects for 2022. The event was organised by *Latitud Cero*, and the employees had the opportunity to learn about the world of beer while experiencing a unique event. The satisfaction rate for this event was 96%.

In June, the second edition, *Produ Night Live*, was organised, which featured a live show format that offered a unique experience to the employees. The event featured our leaders, namely José Ricaurte, Fredy Sandoval, Jorge Alvarado, and Juan Manuel Borrero, who shared their personal and professional experiences and anecdotes through various interactive activities. This edition received a satisfaction rate of 96.4%. Finally, in October, a similar edition of *Produ Night Live* was conducted in Guayaquil, featuring our female leaders, Martha Cecilia Paredes, María Isabel Román, Carolina Andrade, and Andrea Aguayo. The satisfaction rate for this event stood at 96%.



Responsible Actions against the Pandemic

In January 2022, we collaborated with ASOBANCA to organise COVID-19 third-dose vaccination events for Produbanco employees and its subsidiaries in Quito, Cuenca, and Guayaquil. The initiative resulted in the vaccination of a total of 721 individuals.

In February, at the behest of District D03 of Education, we donated 3,000 syringes, 3,000 swabs, and 5 gallons of alcohol to the Vaccine Bank of the Ministry of Public Health to facilitate the vaccination of children in public schools.

Furthermore, in April and June, we held additional COVID-19 booster dose administration events, benefiting a total of 980 and 363 individuals, respectively, for employees and their families, were conducted in the cities of Quito and Guayaquil.

Responsible Initiatives

In May, we implemented several job accommodations for employees with disabilities. These included the provision of special chairs, 21.5-inch screens with higher resolution, and the installation of an intercom in the teller area at our Riobamba branch.

In addition, we conducted a School for Parents initiative, which included a talk on *"The Powerful Influence of Fathers at Home"* in June, and *"The Impact of Social Media on Our Children and How to Address It"* in July. Both talks received high satisfaction ratings, with 98% and 97% respectively provided from attendees.

Sustainable Mobility Programme 'Try My Ride'

In July, the *Sustainable Mobility* programme was launched, through the *Try My Ride* app, exclusively for Produbanco employees and its Subsidiaries. The pilot was carried out in the Ekopark, Iñaquito, and Main Branch buildings. This programme integrates: *carpooling* (shared vehicle), use of sustainable mobility alternatives and walks, as well as an incentive gamification scheme.

The purposes of *Try My Ride* are:

- Offer new and improved mobility conditions for 100% of employees.
- Contribute to the reduction of emissions with the best mobility practices.
- Ratify our commitment to the Sustainable Development Goals.

Gente Pro (People Pro) Program

In November 2022, this recognition programme was launched, whose objectives are to:

- Connect employees with the Purpose of the organisation, motivating their development to generate value.
- Strengthen the organisational culture by reinforcing the desired behaviours of employees.
- Provide a memorable, personalised, and dynamic experience that generates engagement.



For the development of *Gente Pro*, there is the *Motivy* platform, through which the recognition of two types are sent:

- **Social**, which are linked to our organisational values: *Proclient*, *Progress*, *Commitment*, and *People Pro*. These are in the bronze category.
- **Por Puntos (For Points)**, which are obtained by participating prominently in programmes that leverage the fulfilment of the strategy. The existing categories are silver, gold, and pro.

Starting in November, a socialisation stage was implemented for 1,280 of our employees, during which they received recognition for their valuable contributions to the company. As a result, a total of 279 social recognitions were granted to these employees.

Digital Well-being

On November 17, the *Betterfly* app was launched, a benefits platform that transforms healthy habits into social donations and life insurance that grows day by day at no cost.

What are we looking for?

1. To generate healthy habits.
2. To provide additional life insurance.
3. To promote social contribution to the *Fundación Su Cambio por el Cambio*.

Proceeds

- 24/7 general telemedicine.
- Psychological consultations.
- Nutritional consultations.
- Sexual health consultations.
- Veterinary Consultations (*TeleDoc*): with the possibility of scheduling consultations with an ethologist (specialist in canine behaviour).
- Physical preparation: directed routines such as HIIT (high-intensity interval training), functional, dance, pilates, etc.
- Body and mind: contents of meditation, yoga and mindfulness (present awareness) routines.
- Healthy nutrition: healthy recipe videos and nutritional plans according to objectives.
- Guided meditation and mindfulness for all levels.
- Sessions to reduce stress, anxiety, improve sleep, be more present and live more calmly.

As of December 7, we had 1,690 employees enrolled, with whom we achieved: 38,882,454 steps, 345,525 calories burned, 11,358 minutes of meditation, and with whom they have earned coverage in their life insurance of USD 90,881.65.



Ethics Line

During the year, signs of confidence were ratified regarding the Ethics Line channel, which continues to receive complaints voluntarily on the anonymous Intranet site. This makes possible a more direct and timely management in the solution of cases. The gathering of relevant information also contributes to decision-making and group solutions.

At the end of 2022, we registered 26 cases, resolved in first instance, with the participation of members from the Ethics Line Commission. The average resolution time was six days per case. Significant actions taken for analysis and resolution include:

- Meeting and follow-up with department leaders to reinforce leadership styles and feedback to the team.
- Feedback to heads and definition of comprehensive development plans.
- Compliance with policies and procedures.
- Disaffiliation of employees.
- Studies of the work environment, dissemination of results, and formulation of improvement plans.

No cases of internal fraud were reported during the year.

Kind regards,



Diego Mosquera Pesantes
Chairperson of the Ethics and
Responsible Management Committee



Report of the Sustainability Committee

The Sustainability Committee presents its annual activity report for 2022, which details the various actions conducted in terms of sustainability and social responsibility by Produbanco and its Subsidiaries.


B Corp Certification Process

This is an international certification that gathers a global community of purposeful organisations operating under high social, environmental, governance, and transparency standards. In May 2022, Produbanco became a certified *B Corp*. We are the first private equity bank in Latin America to obtain this certification with a verified score of 100.3 points, compared to the minimum required score of 80.

This process considered the following steps:

1. Reform of bylaws to expand their fiduciary duty.
2. Evaluation of the structure and scope of the business model of Produbanco and its Subsidiaries.
3. Measurement in the evaluation of Impact B and subsequent application of improvements.
4. Rigorous review by B Lab (independent third party and expert in the field), which included a virtual review to verify what was reported.
5. Commitment to continuous improvement that fosters a culture of purpose.





Likewise, being a *B Corp* drives us to build a more sustainable and inclusive economy based on the line of business and to maintain integral and ethical work principles to generate a positive impact on the parties involved.

Principles of Responsible Banking (PRB)

In its second report as a signatory bank of the Principles for Responsible Banking (PRBs), Produbanco published its progress in implementing the standards related to the strategic axes promoted by the Bank, specifically Principles 1 and 2, which focus on *Strategic Alignment*, and *Impact and Setting of Objectives*, respectively. To achieve this, the Bank has identified the UNEP FI tool, which allows for determining the positive and negative effects of the portfolio from a social, environmental, and economic perspective.

In relation to Principle 3 - *Customers and Consumers*, Produbanco has offered a value proposition through the *Green Lines Programme*, and shared information with customers to identify opportunities to improve their sustainable management. In addition, training programs are available to support SMEs and large companies in various sectors.

Principle 4 - *Stakeholders* is focused on proactively consulting and collaborating responsibly with relevant stakeholders. To achieve this, Produbanco conducts a Materiality Study every two years and manages relationships with different stakeholders. The Bank collaborates with public and private sector actors to promote joint initiatives leading to the establishment of social and environmental standards at the local level. Produbanco is a strategic partner of the *Ecuador Zero-Carbon Programme* initiative of the Ministry of Environment, Water and Ecological Transition, which allows the private sector to measure, reduce, and offset the country's carbon footprint.

Regarding Principle 5 - *Governance and Culture*, Produbanco has defined its governance structure to favour better implementation and achieve substantial progress, with specific actions to assign clear roles and responsibilities.

Finally, with respect to Principle 6 - *Transparency and Accountability*, Produbanco communicates its progress in a public report to different stakeholders.


Green Lines and Sustainable Portfolio Programme

The success of the initiative was due to the excellent preparation conducted at the beginning of the programme, which included technical assistance, internal capacity building, and training for business and credit teams. The programme found a strong niche in sustainable agriculture, which has benefited many customers in the province of Guayas, the coastal region, and the central highlands of the country.

In 2022, sustainable construction was identified as another large segment, and a comprehensive programme was launched to accompany builders to be EDGE-certified and to provide the final customer with the retail product called *Green Mortgage*, which has specific benefits.

Green Talks, which aim to accompany both internal audiences and customers on their path to sustainability, continue to be developed as a formal programme, with over 80 talks held in 2022.

Thanks to the incorporation of seven categories aligned with the Sustainable Development Goals, the *Green Lines Programme* has become a *Sustainable Portfolio*. These categories include *Women SMEs*, *SMEs in vulnerable*



sectors with a low level of education, SMEs in the health and education sectors, women's retail, SMEs led by young people under 32 years of age, and Green Lines.

Sustainable Construction

The strategy implemented by the Bank has two main scopes: *Credit to the Builder* and *Green Mortgage Loan* for individuals. This process was initiated in 2019 as a result of technical assistance provided by the International Finance Corporation (IFC) to obtain *EDGE* certification for construction projects. The Bank invited major Ecuadorian builders to participate in the programme, offering them comprehensive training and advice with a significant value proposition.

Progress in the Women Programme

An internal survey with Data Management was performed to understand the various archetypes of the segment. The objective was to understand the needs of women and their preferences, both financial and non-financial whilst seeking their development and banking induction.

Social Responsibility Strategy

As part of one of the improvement requirements in the process of obtaining *B Corp* certification, and in alignment with other international sustainability standards seeking to demonstrate how social responsibility programs contribute to the Sustainable Development Goals (SDGs), the Bank has defined a Social Responsibility strategy with two main axes:

- **Integral Education and Community Development:** This axis is focused on supporting the *Fundación Su*


Cambio por el Cambio, the *Aprende (Learn) Financial Education Programme* (for the community), and the *United for Education initiative*, through which the Bank contributes to SDGs 1, 3, 4, 5, and 12.

- **Caring for Our Planet:** This axis focuses on the *Conserving Our Water Sources Programme: the Páramos (Moorlands) of Ecuador*, and the Bank's participation in the *Coalition for Water Security of Ecuador*, of which it is a founding member. Through this programme, the Bank contributes to SDGs 5, 6, and 13.

To measure the impact of the Bank's social and environmental programs, indicators have been defined for each of the above-mentioned actions, which will be applied gradually.

Sustainable Bond

On March 4, Produbanco issued its first *Sustainable Bond*, which was celebrated through the BVQ Bell event held at the Quito Stock Exchange. The event was attended by our Executive President and a representative from the Inter-American Development Bank (IDB Invest). The proceeds from the bond were directed towards social and green initiatives. In terms of social impact, the resources were specifically allocated to the portfolio of women-owned SMEs, young SMEs, and SMEs operating in sectors with low levels of education. With regards to the environment, IDB Invest provided technical assistance to design a roadmap to achieve the objectives of the *Net-Zero Banking Alliance*, of which the Bank is a signatory. This bond issue aimed to showcase Produbanco's active participation in the Ecuadorian stock market and position it as an innovator, as it was the first of its kind. Moreover, the issue supported the country's economic reactivation, generated employment in key sectors of the economy, and acted as a development



catalyst by directing resources from abroad to generate a multiplier effect in the national economy.

Technical Assistance of eco.business Fund (EBF) and Updated Sustainability Plan

This plan is built within each of the impact areas, as outlined by the United Nations Environment Programme Finance Initiative UNEP FI in its *Principles for Responsible Banking*. The result of the 2020 diagnosis, prepared by the consulting team and the EBF, reflected 59% compliance with these principles. In 2022, a result of 82% was observed, which corresponds to a level classified as *Efficient*.

The progress in the different PRBs is summarised as follows:

- PRBs 3 (*Customers*) and 4 (*Stakeholders*) maintain a very good position.
- PRBs 1 (*Alignment*) and 5 (*Governance and Culture*), respectively, are also on track and require certain minimum actions.
- PRBs 2 (*Impact and Targeting*) and 6 (*Transparency and Accountability*) require greater efforts to be met.

This sustainability plan is one of the milestones of Produbanco's Strategic Plan. In addition, it will assist in the alignment of actions for compliance with the *Principles for Responsible Banking*, along with the commitments and progress related to being a certified *B Corp*.

IDB Net-Zero Technical Assistance


This technical assistance, which is supported by IDB Invest,

is provided by *Driving Investment in Climate Solutions (BASE)*, a consulting firm headquartered in Switzerland, and maintains the following objectives:

- Align this roadmap with the Bank's business strategy and market focus.
- Sensitise senior management regarding the impact of the *Net-Zero* strategy.
- Define the medium, five-year, and a long-term vision (objectives 2030 and 2050).
- Describe the main action components necessary to fully comply with the guidelines of the *Net-Zero Banking Alliance*.
- Establish the tools and methods to cover the main initiatives defined by the *Net-Zero Banking Alliance* guidelines: among others, the monitoring, reporting of emissions, and application system of the *Task Force on Climate Related – Financial Disclosures (TCFD)*.
- Establish a roadmap of the milestones to be achieved in the medium and long terms.

Portfolio Goals according to the Net-Zero Banking Alliance

To define our strategies, we applied a top-down approach that began with quantifying the total carbon footprint of our portfolio. This approach is in line with the requirements of the global alliance, which mandates the consideration of certain sectors for the determination of intermediate objectives, specifically those set for 2030. We have prioritised agriculture, aquaculture, energy generation,



natural resource extraction, and food manufacturing for this purpose. Through this process and other risk-related activities, we made corrections to the bases to achieve an accurate classification of activities and adequate quantification of the baseline. To determine the sectors, we created a heat map based on their participation in both total emissions and the portfolio. These actions allowed us to identify the clients and sectors with the highest greenhouse gas emissions and portfolio exposure. Having achieved this first milestone, we will develop a strategy with specific actions to achieve our goals.

Footprint Reduction Plan of Institutional Carbon aligned to the Net-Zero Banking Alliance

To fulfil our commitment to the Net-Zero Banking Alliance, we have been managing the issuance of the institutional operation for some time. Despite the economic recovery in 2021, most emission sources decreased, except for employee mobilisation, which represented 40% of total emissions due to business flights, transportation of securities, own vehicles, and general waste. Thus, employee mobilisation is a crucial component of the Bank's carbon footprint. The reduction targets set for Scopes 1 and 2 are 46.2%, whilst for Scope 3 it is 45.5%. We have developed and internally validated an eight-point carbon footprint reduction plan, which includes strategies such as employee mobilisation, energy management, air conditioning systems, fuel consumption for own vehicles, business travel, waste management, information management, and paper consumption, which is a new item incorporated since 2021 following an update of the ISO.

Sector Guides

We participated in a collaborative project, through the Sustainable Finance Committee of the Association of Banks of Ecuador (ASOBANCA), in which several banks took part in the development and review of sectoral guides. The first stage of this project has already been completed and was sponsored by the eco.business Fund, whilst the second stage, currently underway, is sponsored by the Dutch Development Bank FMO and IDB Invest. Twelve sectoral guides were developed which are publicly available on the EBF website. These guides cover the following sectors: banana cultivation, coffee cultivation, rice processing, sugar cultivation, flower production, growing vegetables, poultry farms, slaughter of birds, shrimp farming laboratories, shrimp processing, production of livestock, milk and meat, and the manufacture of paper and paperboard. These guides serve as an essential tool for financial risk analysis, environmental risks, customer prospecting, green line issues, and other related topics.

Sustainability BootCamp of Grupo Promerica

On November 16 and 17, the first edition of this initiative took place in Guatemala, with the expectation of being developed every two years, as goals are set for 24 months. The Bootcamp focused on four areas: Green Business (Assets and Liabilities); ESG: Environmental, Social, and Governance; Talent; and Gender. It had the intervention of an expert moderator and the participation of around 60 individuals from different areas of all the banks of Promerica Financial Corporation (sustainability leaders, human resources, directors in Guatemala) and representatives of the FMO who attended throughout the event with a high-level delegation headed by its Chief Investment Officer.



Together to Reduce the Carbon Footprint Programme

As part of Produbanco's stakeholder initiatives and within the leadership of the SDG 13 table of *Leaders for the SDGs* of the Global Compact, we have been working on a mentoring program that supports our commitment to the *Net-Zero Banking Alliance*.

The programme is designed to provide close mentoring to companies that aim to start carbon footprint management, with mentoring companies sharing their experiences and lessons learned during their respective measurement processes, as well as recommendations on the different stages to follow. A dedicated web page has been generated to provide all necessary information about the programme, including its characteristics, and to facilitate the application process for those interested in receiving specialised mentoring. Furthermore, we have developed a dynamic and didactic technical guide that explains the entire process step by step in a user-friendly manner. In the technical aspect, we have partnered with *Green Wise*, the *United Nations Development Programme (UNDP)*, the *Ministry of Environment, Water and Ecological Transition (MAATE)*, and the *Galapagos Ecological Airport as our strategic allies*.

Gente PRO Recognition Programme

This programme aimed at employees, is based on the idea of connecting people with the purpose of the Organisation. It was created transversally so that people grow, develop, learn, and in the same manner help the strategy with their participation. Gente PRO includes topics related to sustainability such as champions, which are employees who interact transversally between the Bank's areas, with the aim of implementing the institutional sustainability plan and certain initiatives including volunteers.

The Most Important Match Campaign

The aim of the campaign was to increase awareness regarding the significance of environmental conservation through actions that can be regularly performed by individuals. The campaign was developed within the context of the 2022 World Soccer Cup, with the concept of drawing analogies with this sport to convey that "the most important game" - humanity's battle for the planet - had already begun and that failure to develop sustainable awareness would result in there being no other World Cup or even another world.

To achieve this objective, the campaign communicated Produbanco's initiatives in a playful manner by announcing some of the Bank's involvement in environmental conservation and inviting people to learn more about them. For instance, to highlight the Bank's management of the *"Conserving Our Water Sources: Los Páramos of Ecuador"* programme, the number of protected hectares was converted to an equivalent number of soccer fields. Similarly, the amount of carbon, waste, water saved, and other metrics were presented in soccer-related terms. The campaign concluded with a call to action, urging people to "start playing" for a better planet.

New Sustainability Section in [produbanco.com](https://www.produbanco.com)

The sustainability section on the Bank's website was developed under the UX User Experience methodology and accompanied by customer usage tests. This has had very good results thanks to the use of an information architecture created according to the interest of users. The renewed structure can be reviewed at the following link: <https://www.produbanco.com.ec/sostenibilidad/>



Carbon Neutrality Certification Renewal

As this is the third year of measurement, the *Emissions Reduction Plan: Goals and Actions Implemented*, which contributes to mitigating climate change and generating a positive environmental impact, was also reviewed. The results of the process were subjected to an audit examination by Bureau Veritas, after which Produbanco has achieved the ratification of its Carbon Neutrality certification for its 2021 carbon footprint.

Georeferencing Project

After analysing the portfolio databases, we were able to gather the necessary information to streamline the processes related to the *Environmental and Social Risk Analysis System (SARAS)*.

As a result of this effort, we have developed a Geographic and Analytical Viewer that enables a comprehensive overview of the SARAS Extended Due Diligence portfolio, down to the level of productive establishments per client.

Principles for Management and Monitoring of Climate-related Financial Risks

The status of implementation of bank-oriented principles within the scope of the Basel Committee on Banking Supervision includes topics such as: corporate governance, internal control framework, capital and liquidity adequacy, risk management process, supervision and reporting, and comprehensive credit risk management.

'Learn' Financial Education Programme

In 2022, the program successfully achieved its defined goals by training a total of 10,719 individuals across 20 provinces.

Collaboration between the Business and Marketing departments facilitated talks on planning, savings, personal finance management during crisis situations, and the benefits of digitalisation, primarily targeting employees of our business clients and SMEs.


In addition, PagoÁgil agents were invited for the second year in a row to participate in the *Professionalisation Programme for Microentrepreneurs and Shopkeepers*. The aim of this programme was to equip participants with administration and sales tools for more effective business management.

During the Financial Education Week, hosted at a regional level by Grupo Promerica, special sessions were organised for the community of Zuleta as part of the *Conserving Our Water Sources: Los Páramos de Ecuador Programme*. Furthermore, in June 2022, similar sessions were conducted for students and parents of the *Fundación Su Cambio por el Cambio*.

Conserving Our Water Sources Program: The Páramos of Ecuador

Within the ambit of this flagship programme, the financing agreement with the Ministry of Environment, Water and Ecological Transition (MAATE) was renewed for the purpose of conservation agreements with the owners of the moors, who receive economic incentives for the care and sustainable use of the ecosystem.

In 2022, the conservation of 8,081 hectares of páramo with a beneficiary population of 2,715 people was achieved



in the provinces of Carchi (Pasto Libertad Indigenous Ancestral Commune, and Commune of the Association of Agricultural Workers of Tufiño), Imbabura (Zuleta Commune), Chimborazo (San Isidro Guacona Commune) and Azuay (Sombrederas Commune).

Volunteering

In the wake of a prolonged period of virtual activities due to the pandemic, Produbanco was able to resume face-to-face volunteering events in 2022. Among these were the *Promerican Volunteer Day* celebrations, during which 65 employees participated in reforestation activities in Quito and Guayaquil.

In addition, following two years of virtual training on financial education, 54 employees were able to collaborate with students from the Cayambe Technical School to develop sustainable business ideas that addressed identified community needs.

Finally, in December, Produbanco's employees generously entertained 62 grandparents and 160 children from the *Fundación Su Cambio por el Cambio* during the traditional Christmas volunteering event.

Recognitions

Global Finance

Produbanco was named *Best Sustainable Bank* in Ecuador 2022 by *Global Finance*, and at the regional level received two distinctions in the *Sustainable Finance Awards: Outstanding Leadership in ESG Related Lending* (environmental, social, and governance) and *Financial Leadership in Sustainable Communities*.

This *Global Finance* programme recognises global and regional leadership in sustainable finance, among institutions that promote the financing of initiatives that help build a more sustainable future for humanity.

Ecuador Zero-Carbon Programme

In July 2022, Produbanco was recognised with the *Carbon Footprint Reduction Certification* of the *Ecuador Zero-Carbon Programme* of the Ministry of the Environment, Water and Ecological Transition. The Bank was the first company in the country to obtain it.

Socially Responsible Company Distinctive

Produbanco was honoured to receive the Socially Responsible Company award for the second year in a row. This award, known as the ESR® Distinctive, is an initiative of CEMEFI in Mexico and has been awarded for over 20 years in that country. It was awarded for the second time in Ecuador by CERES. The companies that are awarded the ESR® Distinctive are those that have demonstrated their commitment to corporate social responsibility and sustainable development. They undergo a rigorous evaluation process that includes criteria such as business ethics, quality of life within the company, community engagement, environmental responsibility, and management of social responsibility.

Investment

In the next two pages, please find enclosed the investment figures for the year 2022.

Social Investment 2022

Integral Education and Community Development	369,397	39.8%
Fundación Su Cambio por el Cambio	361,397	(social investment)
Unidos por la Educación (United by Education)	8,000	(community investment)
Water and Páramos (Moorlands)	214,120	23.1%
Conserving Our Water Sources Program: The Páramos of Ecuador	200,000	(community investment)
SDG 13 Leadership Table	10,120	
Coalición por la Seguridad Hídrica	4,000	(community investment)
Sustainability	109,511	11.8%
Company B Certification	26,250	
Carbon and Water Footprint Measurement / Certification	23,952	
REDLAC: Financial Mechanisms for Environmental Management in Ecuador	10,000	(commercial initiative)
Partnerships (Global Compact, UNEP FI, CERES)	8,900	
FORBES: Sustainability Summit	8,000	(commercial initiative)
Andean Condor Foundation: Conservation Forums of the Species in Ecuador	7,500	(commercial initiative)
SDG 13 Leadership Table	7,459	(community investment)
<i>Ecuador Infrastructure Summit: Sustainable Development in Ecuador</i>	7,000	(commercial initiative)
Water Contest	4,000	(commercial initiative)
EKOS: Sustainable Finance	3,800	(commercial initiative)
FINANCOOP: Sustainable Finance at Produbanco	1,000	(commercial initiative)
ESR Certification	1,150	
British Chamber: Sustainability Forum	500	(commercial initiative)

Social Investment 2022

Other Social Sponsorships	122,988	13.3%
Fudrine (cerebral palsy)	24,000	(social investment)
El Apuntador Foundation	43,000	(social investment)
Telethons	20,000	(social investment)
Atucucho (medical dispensary)	14,400	(social investment)
Christmas 2022 (SOLCA Cuenca, Atucucho among others)	9,118	(social investment)
San Juan de Dios Shelter	3,520	(social investment)
Resurgere Foundation	3,000	(social investment)
Pro Cerebral Palsy Foundation Azuay	2,000	(social investment)
Nueva Esperanza Babahoyo Foundation	2,000	(social investment)
Other Sponsorships	1,950	(social investment)
'Learn' Financial Education Programme	98,024	10.6% (community investment)
Sustainability and Social Responsibility Report	4,705	0.5%
Volunteering	8,241	0.9% (community investment)
Total Investment 2022	926,987	100.0%



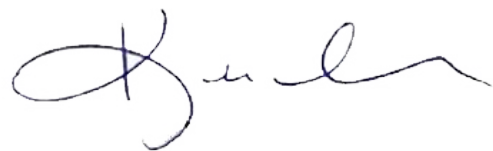
Karla Icaza
Chairperson of the Sustainability Committee



Report of the Committee of Remuneration

The Remuneration Committee learned about the salary review carried out in 2022 and the compensation strategy, aligned with the economic conditions of the country and the market.

The salary review was carried out considering the government guidelines regarding minimum and sectoral wages for the year 2022, and the methodology of increases that combines the performance of the employee and the salary band of the position was applied.



Karla Icaza Meneses
Chairperson of the Remuneration Committee



Our Subsidiaries

Externalización de Servicios S.A. Exsersa

This subsidiary continued with its growth strategy through the expansion of PagoÁgil throughout the national territory and the ServiPagos transactional switch channel that allows private and financial companies to offer our collection products directly to their customers from any channel, face-to-face or digital.

We ended the year with 53 ServiPagos agencies throughout Ecuador. As for the PagoÁgil network, it closed 2022 with 16,284 points, 11% more than the 14,625 with which we ended 2021.

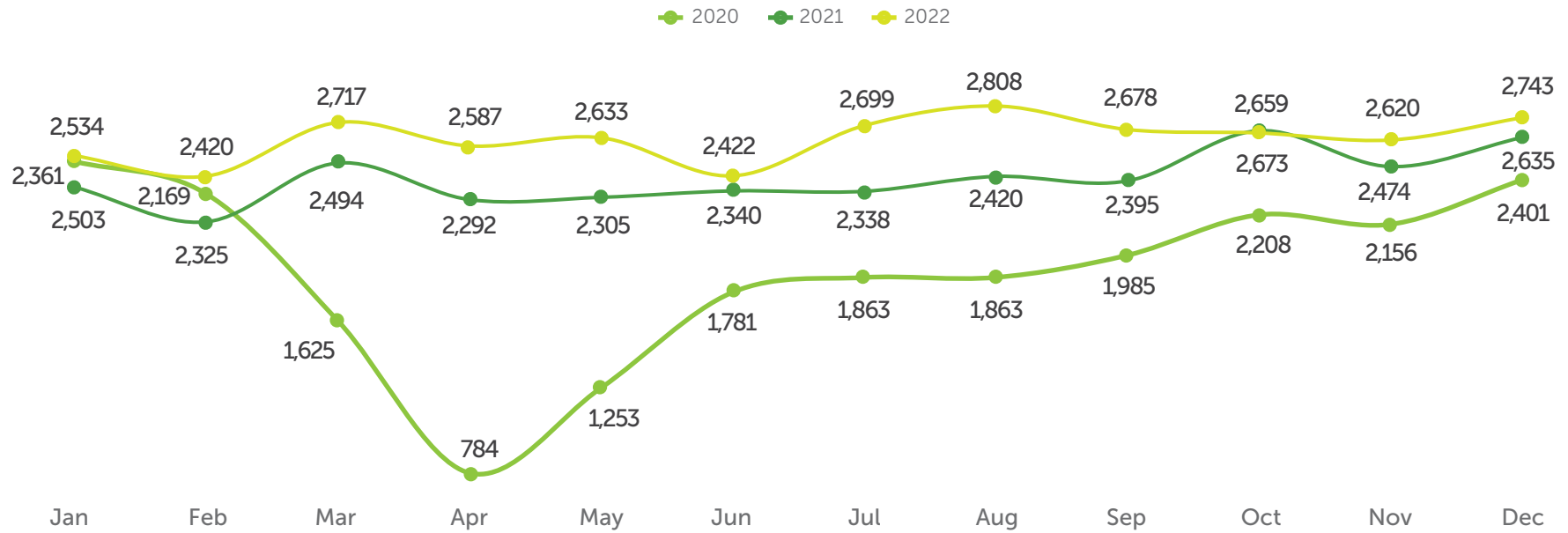
In addition to servipagos.com, in 2022, ServiPagos launched its Facebook page ServiPagosEc as a new contact channel, which was consolidated throughout the year as an efficient means of communication with customers by putting at their fingertips, both the information about the products and services of the portfolio and by allowing two-way communication with them.

At a consolidated level, Exsersa's transactions increased this year by 9.07% when compared to 2021. This result considers the increase of 13% in the total number of transactions processed in PagoÁgil and the variation of -1.3% in those made in ServiPagos agencies.

On the other hand, revenues increased by 9.87% as compared to 2021. This led Exsersa to obtain a profit of USD 1,392,348.



Exsersa transactionality (thousands of transactions)



Evolution of Processed Transactions, Revenues and Profits Exsersa

	2020	2021	2022	Variation 2021-2022	
				(USD)	(%)
2020-2022 Evolution Transactions Processed by Exsersa	22,747,280	28,898,291	31,520,022	2,621,731	9.07%
2020-2022 Evolution Exsersa Revenues (in dollars)	13,309,086	16,435,472	18,057,608	1,622,136	9.87%

	2020	2021	2022	Forecast	Forecast variation
2022-2022 Evolution Exsersa Profits (in dollars)	-1,117,236	1,435,737	1,392,348	1,275,975	9.12%



Protramites Trámites Profesionales S.A.

This Produbanco subsidiary is responsible for the management of the overdue and written-off portfolio in the Personal and Digital Segments of Retail Banking and the process of constitution of collateral.

In order to optimise our services in Quito, we made operational adjustments throughout 2022. At the end of the year, we added a new service point in the Maldonado Agency of Produbanco to improve accessibility for customers residing in the southern part of the capital. In addition, we relocated Protrámites employees who worked in the España Building to the Iñaquito Building, with the aim of providing greater comfort to customers due to the central location and modern facilities. In Guayaquil, we maintained our offices in the Centro Building of Produbanco.

An important event this year was the release of the updated version of the *CreditForce Collection Enterprise* system in July. This was part of the Grupo Promerica plan to homologate the collection system across all countries of operation. The new services provided by this version are part of the collection management through digital channels. In addition, the development of phase 2 of the recovery system began, which aims to automate and centralise the processes associated with the judicial collection of the portfolio. It is expected to be put into production in Q1 of 2023.

The collection management of non-performing loans experienced unexpected growth due to the new wave of COVID-19 at the beginning of the year, which directly affected Protramites' capacity to act, and the national strike of June 2022, which had an even greater effect on the deterioration of the portfolio. However, the consequences of these two events were quickly mitigated with the implementation of

collection campaigns adjusted to the country's situation at all times.

Legal Procedures played a crucial role in achieving the business objectives of the Retail Banking and SME Segment of the Bank, reducing the execution time of procedures such as the constitution of mortgages. This work generated a fee income of USD 527,669, which is 19.9% higher than in 2021.

The *Early Default* and *Medium Default* platforms, responsible for the recovery of the non-performing portfolio, conducted a monthly average of 180,830 procedures to 36,213 clients, representing a 4.7% growth over the previous year. The average rate of customers located per month was 67.8%, whilst the rates of payment promises collected and fulfilled amounted to 74.9% and 56.4%, respectively. In summary, the conversion rate - the fraction of effective contacts that culminated in a promise of payment fulfilled - was 42.2%, a growth of 3.4 percentage points over 2021.

In the line of non-operating income, *Advanced Default* continued to contribute significantly to Produbanco, recovering the written-off portfolio, which amounted to USD 28.2 million in 2022, 2.8% higher than budgeted. Operational Management processed 12,702 special solutions generated by Early, Medium, and Advanced Default negotiations, resulting in a 1.7% increase compared to 2021.

Regarding the recovery of the portfolio purchased by Protramites Trámites Profesionales S.A. in charge of the *Proprietary Portfolio* platform, it generated an income of USD 551,731, including both profit and interest earned.

EcuaPayphone C.A.

The results of the subsidiary for the year 2022 were highly positive. The transacted amount reached USD 141,655,473.04, through 2,387,174 transactions. This is 74% higher than the amount achieved in 2021, which was USD 81,453,972.69, and represents 87% of the total PayPhone operation internationally, along with Central America, which totalled USD 163,196,652.

The objective of the PayPhone platform is to provide a payment solution by credit or debit card through a smartphone to any merchant in need. The platform supports the use of cards issued by several banks, making it widely accepted. PayPhone is the closest product to *Open Banking*, a global theory aimed at generating massive acceptance of banking products among unbanked users. The PayPhone App is an essential step and an evolution for small entrepreneurs who do not have the opportunity to access a POS (point of sale terminal), and who previously

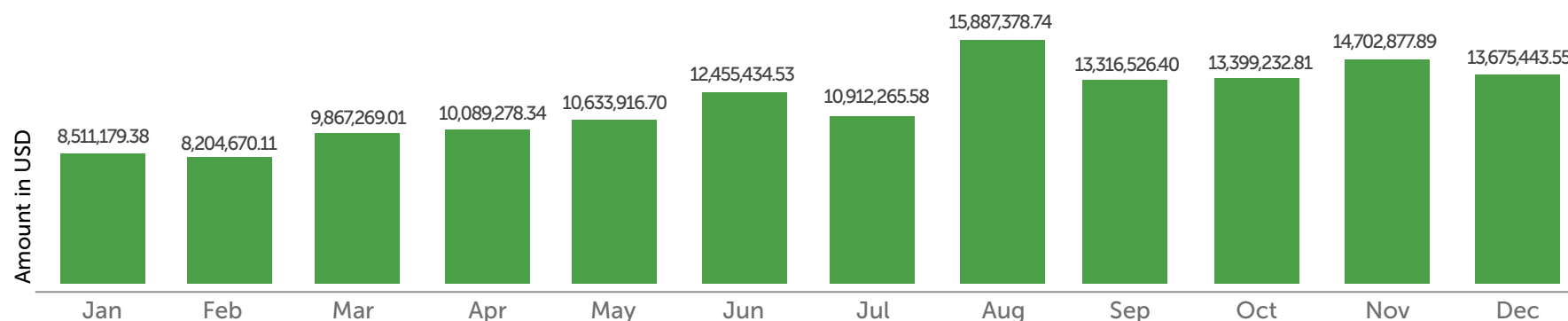
had only cash or transfer as means to close a business. The possibility of processing payments with credit and debit cards from any issuing institution is without a doubt a powerful tool to boost commercial activity.

The following table shows the 16 main credit and debit cards out of a total of 857 issued by various national and international financial institutions used to purchase goods or services offered to our merchant customers in 2022.

In addition, it is important to note that the use of Visa cards gained space against Mastercard throughout the year, as a result of the growing issuance of this card by banks in Ecuador. Furthermore, there was a change in the proportion of debit card payments compared to credit cards, with 61% of transactions made with debit cards in 2022 compared to 60% in 2021.

Monthly Amount Traded through PayPhone (in dollars)

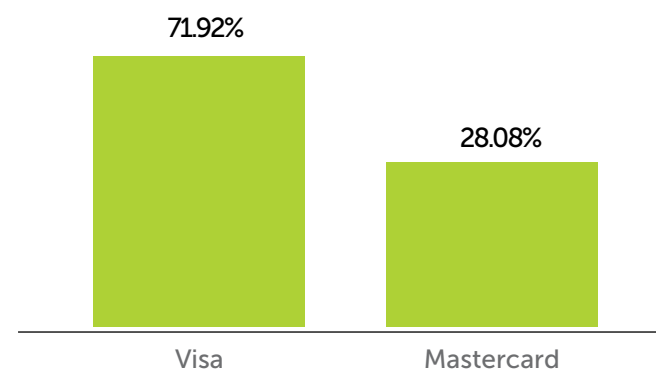
Total 2022: USD 141,655,473.04



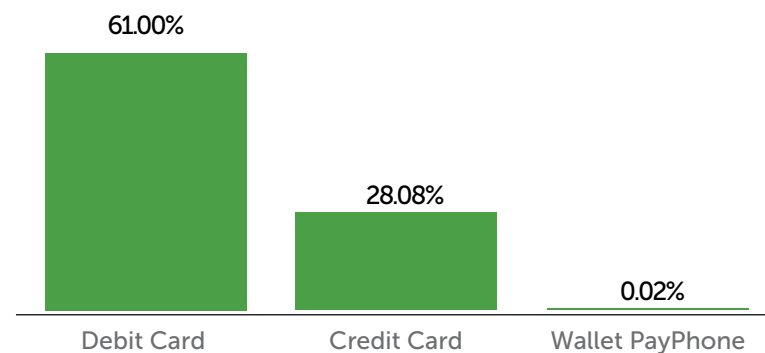
2022 Distribution of Total Amount Transacted (USD 141,678,026) by Main Issuing Entities

Issuing Bank	Amount USD
Pichincha	38,438,075.24
Produbanco/Promerica	33,586,274.63
Banco del Pacífico	21,359,362.60
Interdin	9,305,620.77
Guayaquil	7,907,639.73
Bolivariano	7,039,015.06
Cooperativa Jep Juventud Ecuatoriana Progresista	4,024,336.37
Austro	3,400,207.48
Internacional	3,272,078.16
Diners Club	1,845,921.35
JP Morgan Chase Bank (US)	1,366,078.19
Rumiñahui	773,464.03
Bank of America N:A	672,543.15
Cooperativa de Ahorro y Crédito Policía Nacional	598,954.93
Capital One (US)	568,417.59
Citibank (US)	514,910.44

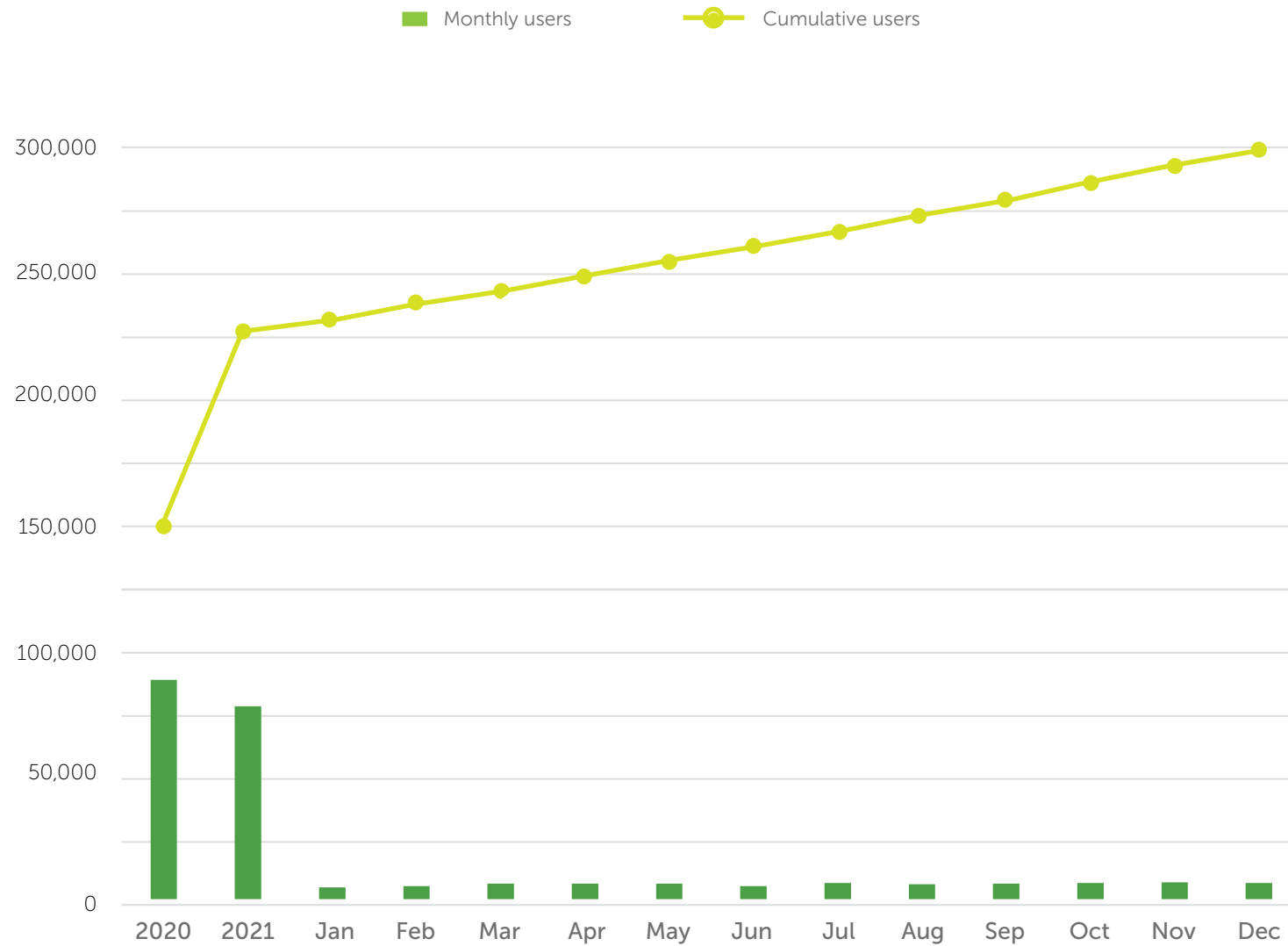
Transaction Number Processed by Card Issuing Brand



Transaction Distribution Processed by Card Type

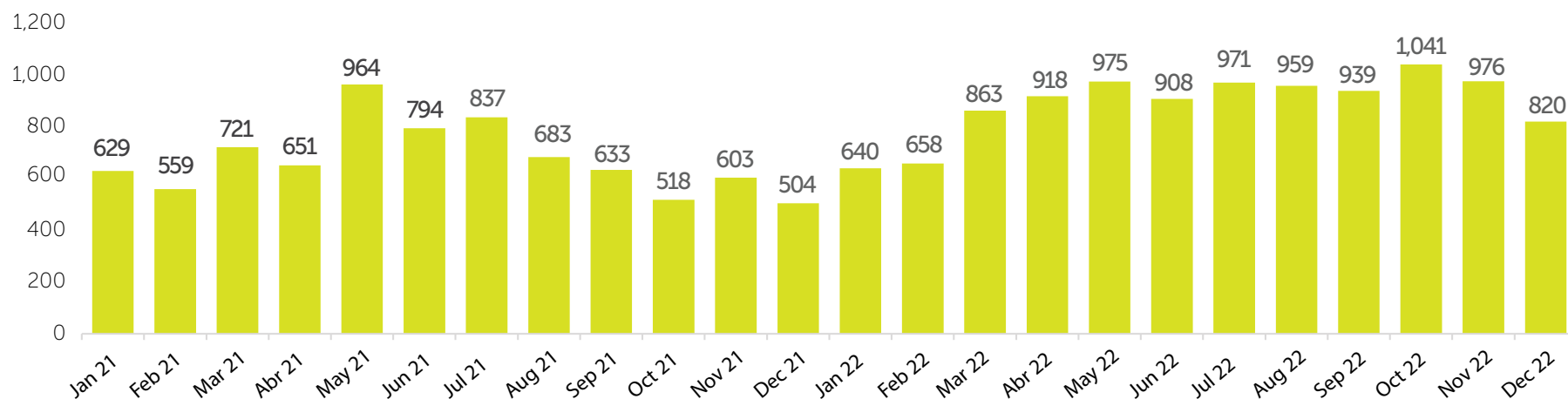


Evolution of PayPhone User Growth (Total Users 299,495)



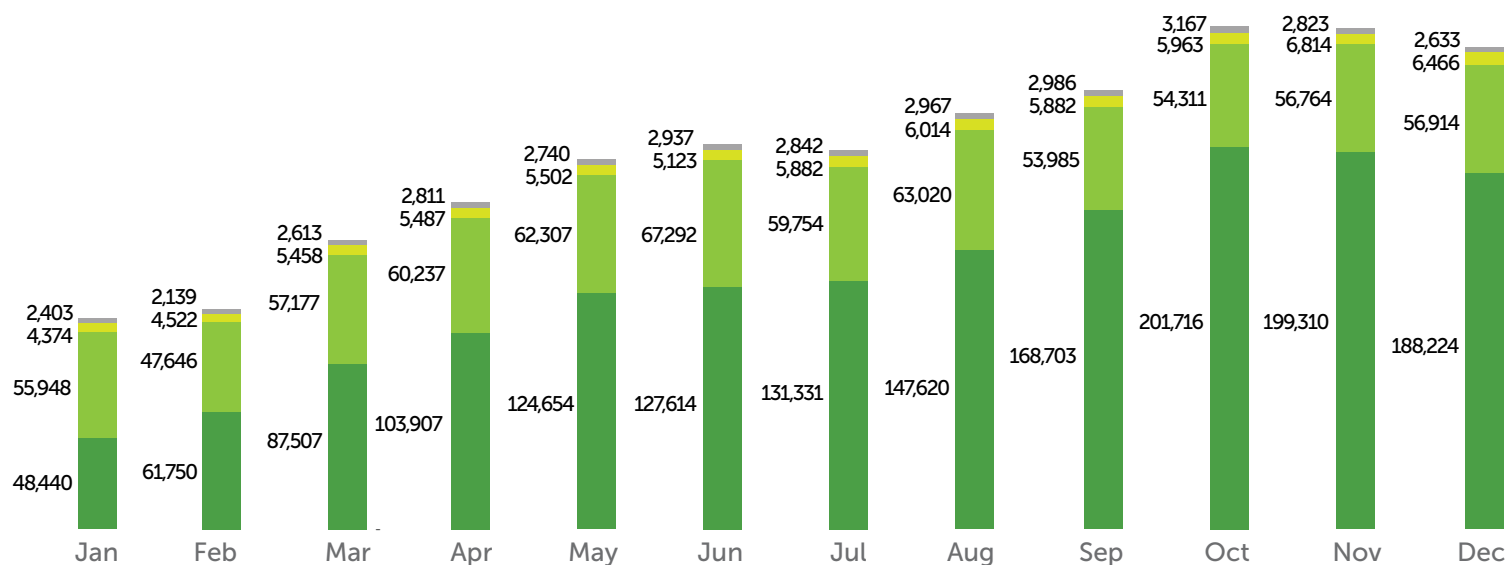
Evolution of Registered Businesses

31,061 registered businesses | 37,086 branches



Payphone Wallet transaction distribution

■ Wallet
 ■ Banked open button
 ■ Card activations
 ■ In-app banked transactions





PayPhone Users and Merchants

At the end of the year, the total number of users with this application downloaded in Ecuador amounted to 299,495, 32% more than the 227,255 with which we closed in 2021.

As such, within this year, 31,061 new businesses with RUC or RIMPE were registered on the platform.

PayPhone Wallet

Through this service, users can view the payments they receive for their sales, as well as the balance they maintain in PayPhone, make payments to third parties, or send the resources to a checking or savings account of any bank or cooperative in the country.

The first table on the previous page shows the evolution of transactions between 2021 and 2022. The use of the Wallet was similar to that of the open payment button in 2021, whilst in 2022, transactions through Wallet doubled relative to the other alternative.

New Product: Mastercard PayPhone

In April 2022, we launched the Mastercard PayPhone, a physical rechargeable prepaid card, which can be ordered and recharged directly from the PayPhone App, through the Wallet, which provides another option for the use of the amounts accumulated in it. Its delivery is made where the customer requires it.

In its first nine months on the market, 11,977 card applications were received, 7,410 cards were activated, and 2,917 were recharged. The main stakeholders in this product belong to various generations: millennials first, generation Z second, X in third, and finally, baby boomers.

11,977	Mastercard PayPhone requested
7,410	Mastercard PayPhone active
2,917	Mastercard PayPhone recharged
3,659	Z Generation (born since 1995)
6,185	Millenials (1980 - 1994)
1,535	X Generation (1965 - 1980)
199	Baby boomer (1964 - previous years)

ProContacto Soluciones Inteligentes S.A.

This subsidiary continued to provide its services to Produbanco through telephone, video call, email, chat, and WhatsApp channels in its three lines of business: *Inbound* (for customer service), *Outbound* (management of welcome campaigns for new customers, satisfaction surveys on the service received, confirmation and collections), and *Product Sales* (massive campaigns to promote the use of products or services, as well as for their marketing campaigns).

During this year, these were integrated into our offer: the monitoring of interactions for control, the follow-up of commercial and service campaigns, and the personalised delivery of documents and/or products to Produbanco clients in the cities of Quito, Guayaquil, Ambato, and Cuenca.

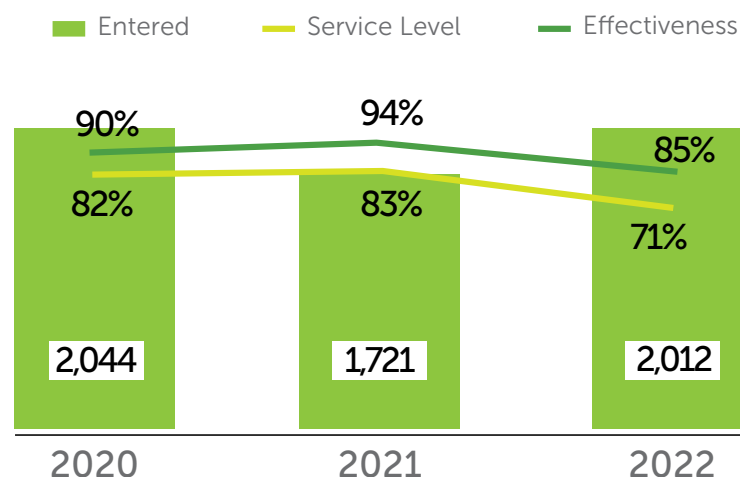
At the end of 2022, 55% of Contact Centre staff performed their tasks in person, whilst 45% did so in partial and total teleworking mode. For the delivery of documents and/or products, all staff performed their duties in person. The employees of the subsidiary are distributed in Quito and Guayaquil in the Iñaquito and Pacifica Buildings, respectively.

ProContacto Soluciones Inteligentes S.A. closed the year with a volume of over 2.5 million interactions, i.e. 27% more than in 2021.

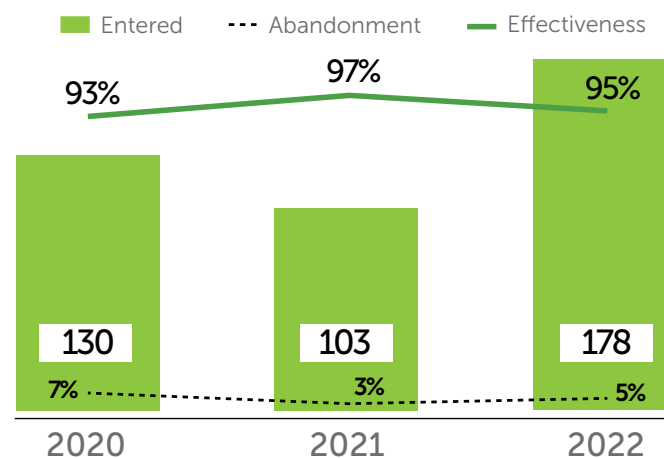
The phone and video call channel grew by 17% as compared to the 2021 performance.

The WhatsApp channel had the highest growth boasting 652% as a result of the implementation of direct access in the *Mobile App*.

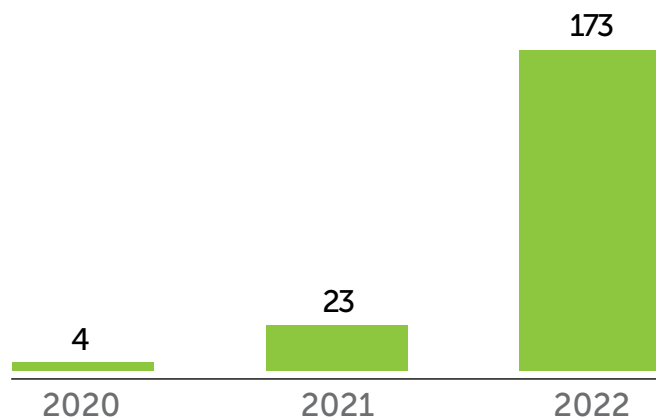
Service Level Phone and Video Call Channel (in thousands)



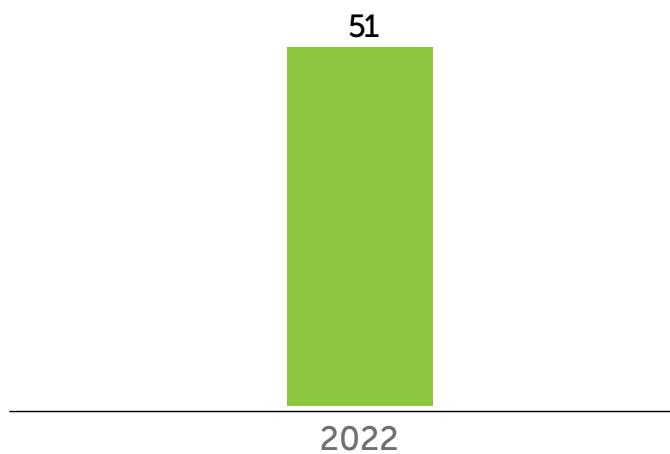
Chat Service Level (in thousands)



Number of Interactions WhatsApp Channel (in thousands)

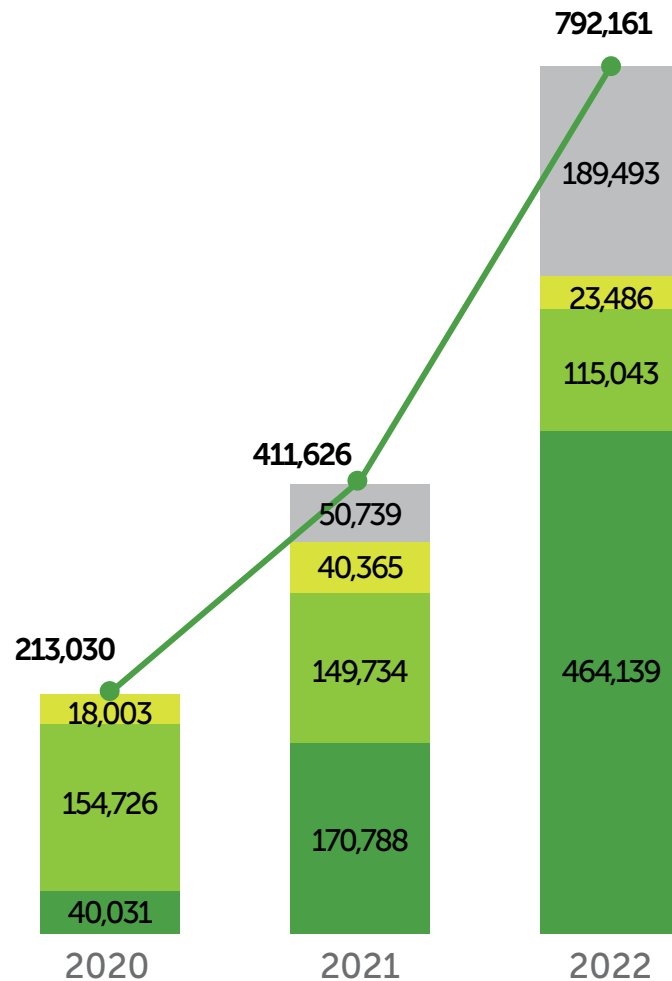


Number of PayPhone Interactions (in thousands)



Number of Telemarketing Interactions by Target (in thousands)

■ Incentive ■ Operative ■ Survey ■ Preventive ● Total



Since June, servicing of users of the PayPhone product has been incorporated into our portfolio, with 51 thousand interactions until the end of the year. As a result of the change in the service model of Produbanco Agencies, the chat channel had the second highest growth, with 73%.

On the other hand, the volume of telemarketing interactions increased by 92% compared to 2021. Within this, the management of credit card promotion registered greater dynamism, with an increase of 171%.

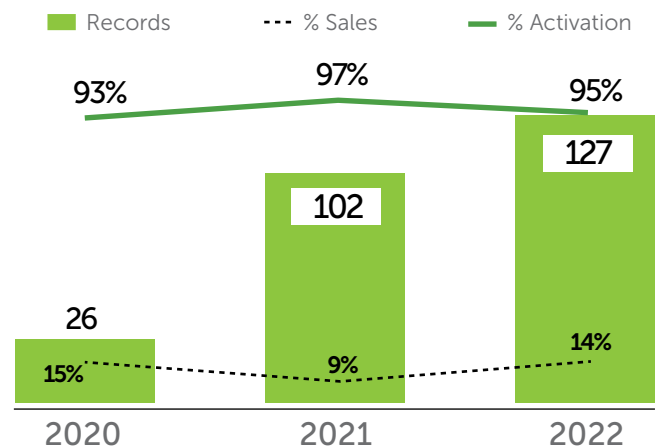
In this year, there was an increase of 25% in the number of records of the database used for the sale of credit cards. The effectiveness in placement reached 14%, a percentage higher than in 2021.

The number of records in the database for credit card bin change increased by 36%, with a placement effectiveness of 33%.

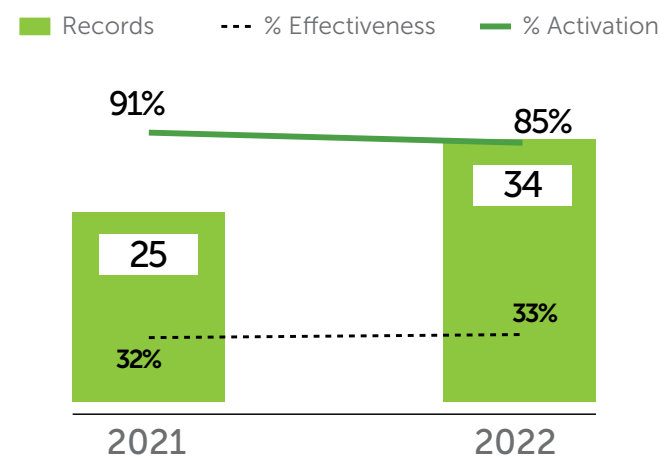
The highlights of the 2022 operation are summarised below:

- Implementation of monitoring of the commercial management of Produbanco's Digital and Multi-sales Banking to improve the sales effectiveness of the products analysed in the *Speech Analytics* tool, through the detection of known patterns.
- Launch of nine services to be served at the first level to improve the customer experience.
- Robotisation of extraction of reports of the commercial management of ProContacto and of the productivity and commercialisation of products of the telemarketing managers to improve control and administrative follow-up.

Effectiveness in Credit Card Placement (in thousands)



Effectiveness in Credit Card Bin Change Management (in thousands)





Management of Business Units

Business Banking

Corporate Segment

The excellent dynamics of credit, mainly during the first half of the year, led us to a portfolio level of USD 1,690 million at the end of the year, 13.15% higher than in 2021. Within Produbanco's portfolio, the segment's share was 36.12%. In addition, origination reached 51.65% of the institutional total.

In favour of sustainability, in 2022, USD 79 million in sustainable loans were placed, bringing this portfolio to a total of USD 124 million.

Obligations to the public closed at USD 817 million, 6.50% more than in 2021. This performance was marked by an annual growth in deposits, both term (15.10%) and demand (3.86%). This segment's deposits accounted for 15.46% of the Bank's total deposits.

Regarding the offer of digital solutions in the segment, the results of the year were favourable with an increase of 40% in deposits by remote check, 53% in the balance of *Confirming* (Confirmed Payment of Suppliers) and 30% in the billing of customers through our acquisition.





Business Segment

In 2022, the segment's portfolio —which constituted 10.19% of Produbanco's total placements— reached USD 477 million, 9.58% higher than in 2021. A relevant fact to highlight is that since the beginning of the year, Guayaquil was positioned as the new largest market in the portfolio, with a 43.8% share.

In support of the sustainable and environmental development of business clients, a total of USD 5 million in sustainable credits were disbursed in 2022, which were destined for agricultural and industrial sectors. The balance of this type of operation ended at USD 26 million.

Obligations to the public reached USD 303 million, equivalent to 5.74% of the Bank's total deposits and reflecting a reduction of 3.38% compared to the previous year. This decrease was influenced by the 6.66% drop in monetary deposits, which was partially offset by an 8.13% growth in term deposits.

In line with digital transformation, we started talks with clients in Quito, Guayaquil, and Cuenca, in which we discussed current issues, shared our experience as a bank in this process and motivated clients to also join this wave of changes that will yield greater benefits to their businesses.

In addition, our digital products had an excellent performance in relation to 2021: the amounts deposited through remote check grew by 60%, placement of credits with digital signature increased by 56%, turnover of our clients through acquisition increased by 58%, and transactions through the transactional platform of Cash Management increased by 9%.

Equity Segment

This Segment offers clients and their family groups personalised advice and professional support in the safe and profitable management of their assets—in the various stages and transitions of their families and companies over time—under the highest standards of confidentiality.

Our qualified team of executives offers customers products and solutions according to their needs, with a very rigorous approach to quality of service. As part of the added value, we include the delivery of updated and relevant information on the situation of national and international markets to our clients to help them make informed decisions regarding their investments or indebtedness.


The combination of these elements has earned us the trust of our customers, who at the end of the year amounted to 2,069 and with whom we have established solid and lasting relationships.

Institutional Segment

Institutional Relations

In this year, this Segment managed 340 institutional relations with banks: segment 1 credit unions, mutualists, insurers, and prepaid medicine companies, public sector institutions, brokerage houses, fund and trust administrators, international organisations, and non-governmental organisations.

The nature and size of the positions of this type of clients require permanent monitoring of deposit cycles and volumes, commercial management, optimisation of passive rate levels, generation of opportunities, and management of Produbanco's participation compared to other financial



institutions. For the performance of these activities, the team of executives in charge is in permanent contact with each client to put at their behest the portfolio of products and solutions developed according to their specific requirements of liability and liquidity management, transactions, and collection alternatives.

This Segment ended 2022 with total liabilities of USD 944 million. This amount represented the highest volume that this Segment has historically managed. Within this amount, demand deposits accounted for 44%, and term deposits 56%. Deposits in the Institutional Segment accounted for an 18% share of Produbanco's total obligations to the public.

With regard to the loan portfolio, which is mainly geared to credit operations with insurance companies and financial institutions, the closing figure amounted to USD 25 million.

Furthermore, within this segment, we are managing a long-term facility obtained under the second-floor modality for USD 50 million to finance operations aimed at small and medium-sized enterprises.

Correspondents and Multilaterals

During 2022, we completed important financing with foreign entities for a total of USD 386 million.

These resources provided support for the development of small and medium-sized enterprises, the growth of green and blue businesses, those run by women, by young entrepreneurs, companies in economic sectors dominated by employees who have had access to very limited education, and the strengthening of our clients' foreign trade operations.

Among the long-term financings, we highlight the first *Sustainable Bond* of Ecuador issued by Produbanco in March 2022, for USD 50 million, whose investor was IDB Invest. On the other hand, we finalised two facilities totalling USD 160 million with the International Finance Corporation (IFC) and three facilities for USD 55 million with other development agencies.

In terms of short-term operations, IDB Invest led several structures, including a syndicated venture for a total of USD 60 million.

In addition, these counterparts have accompanied us with technical assistance in various sustainability issues.

The *Correspondents and Multilaterals* team has managed relationships with global and regional banks that allowed us to support the businesses of our exporting and importing clients with letters of credit, guarantees, collaterals, and collections.

Retail Banking

People and Digital Segment

The recovery of the economy in 2022 had an important influence on the results achieved by this segment.

Regarding deposits, a figure of USD 2,257 million was reached, 4.00% more than in the previous year. Within these, demand balances increased by 0.86% whilst term deposits increased by 8.95%.

On the other hand, the total portfolio saw a substantial increase of 30.04%. At the end of 2022, the balance was



USD 1,818 million —USD 874.9 million corresponded to credit card and USD 943.5 million to other types of credit—. This represented a record growth of USD 420 million, even higher than the peak recorded of USD 252 million, which took place in 2018.

The reactivation of consumption in households generated a considerable expansion in the demand for credits, which was evidenced in the origination of USD 526.6 million, 49.96% higher than in 2021.

As a pioneer in banking trends, Produbanco has implemented a new business model in 2022 oriented towards meeting the preferences of our customers. Under this scheme, individual customers are no longer assigned a personal advisor for their business relationship. Instead, they have access to a pool of advisors who can be contacted through various channels such as phone calls, WhatsApp, or other technological tools for financial advice. This approach allows us to offer differentiated service bespoke to their needs.

The cultural and technological transformation that is taking place at the central level is also evident in our branches. We have implemented a collaborative approach among our advisors, where they work together in open spaces or meeting rooms. In addition, we offer tools such as QR codes, Wi-Fi, and digital devices to help customers manage their channels and access a cutting-edge banking experience. By the end of the year, we had implemented this new model of customer care in 61 branches.

In 2022, we continued to prioritise the customer experience by focusing on digital transformation. As a result, 75.3% of our customers now have access to our digital channels, representing a growth of 6.2 percentage points compared to 2021. Furthermore, we have managed to get 97% of our

customers to open an agency account and activate their username and password, making us a *phygital* bank that integrates physical and digital worlds to provide the best banking experience.

Our digital offerings have undoubtedly contributed to our overall banking results. The granting of consumer loans has increased thanks to the immediacy of the process of obtaining financing through our digital channels. This has led to 78.74% of these types of loans being obtained digitally by the end of the year, a significant improvement compared to 51.19% in 2021.

One of our key initiatives in 2022 was the launch of the new Digital Account, which offers a unique experience thanks to a streamlined process that doesn't require the signing of documents or manual processes. Customers can start transacting from the moment they open their account, without having to physically visit our branch. This product was also introduced in our branches, allowing customers to manage their needs independently and seek the support of commercial advisors only if they wish.

Finally, our digital opening of savings accounts has increased by 63.8% compared to 2021, with some months seeing a 90% increase in the adoption of this type of product.

Regarding time certificates of deposit, in 2022 we experienced an annual growth of USD 75.3 million. In addition, we improved the digitisation index, with 45.2% of policies open digitally as of December 2022.

Continuing with the commitment to promote the responsible banking strategy, the *Green Housing Credit* was implemented aimed at financing goods that have a sustainable certification. With this product, the customer



receives a bonus of USD 1,000 applied to their credit. A total amount of USD 1.2 million was granted this year for this type of financing.

Along the same lines, the *Green Conscience* alternative was launched, a concept that gives the client the option of requesting that the balance of their liability products be “green”, that is, that the resources in their accounts or investments be directed to the financing of sustainable projects; in this manner, we align the commercial strategy with the objectives of society. Over 62,000 people became part of this change, which added USD 30.7 million to the December cut-off date.

In this 2022, as part of the benefits we offer to customers in the digital and community segment, we conduct several non-banking actions such as the dissemination of financial education talks to over 2,600 people, workers of 26 companies that process their payroll through us.

On the other hand, seeking to boost the commercial skills of advisors, this year we started with the *CreSer* commercial experience, a training programme dictated by a team composed of Produbanco employees.

In 2022, we continued with the execution of the *Protagonistas* programme, whose objective is to empower women in the organisation by providing them with tools for their personal and professional development.

Produbanco participated in the first *Sustainability Bootcamp* in the region, in which growth and monitoring objectives were defined for individuals, SMEs and internal clients, which will be covered through financial actions and others that are not.

SME Segment

This Segment is aimed at small and medium-sized companies with sales of up to USD 5 million. During 2022, this team expanded its operation to Tulcán, Baños, La Libertad, and Azogues, bringing its presence to 25 cantons nationwide.

This year, we continued to support customers in their reactivation process in the aftermath of the COVID-19 pandemic. We focused on providing accompaniment to small and medium entrepreneurs, with a model of personalised service in which visits are of great relevance because they have the purpose of deeply knowing the client's business to design precise solutions for their needs. Thus, in 2022, we conducted 9,001 visits. In this same line, another of the added values that Produbanco offered its clients is the link to its *SME Community*, an initiative within which 90 specific events were held, where over 1,200 people participated nationwide. In these meetings, topics of macroeconomics, digital sales, and international trade were addressed, with a practical and managerial approach so that customers can execute the application in their companies.

As a result of this year's management efforts, we closed our portfolio with USD 600.07 million, making this an increase of USD 66.39 million, 12.44% more than in 2021. A total of 4,431 credit operations were placed, of which 39.97% corresponded to cities other than Quito and Guayaquil. Of these, 76.33% of the disbursements were for an amount equal to or less than USD 100 thousand, with a clear focus on small businesses in the country. This shows Produbanco's firm commitment to the development and promotion of the local economy of the cantons in which it is present.

Regarding the performance of the Visa Pyme credit card, which was launched in 2016 to meet the working capital



requirements of SMEs, the number of customers reached 4,015, with a portfolio resulting in USD 22.17 million.

As for deposits, throughout 2022, 5,554 new accounts were opened to small and medium-sized companies, which comprise further foundations in Produbanco's purpose of being an ally for entrepreneurs.

Total obligations to the public reached USD 634.94 million, an increase of USD 60.29 million (10.49%) compared to 2021. On the other hand, term deposits—which were the main focus of growth throughout this year—increased by 47.10% (USD 42.75 million).

In another order of things, advancing with the digital transformation of financial services, 4.08% of credit operations were disbursed through virtual promissory notes with certified electronic signatures under the *Click Signature* programme, which originated in 2019. Similarly, in the last quarter, we made available to customers the digital channel for opening time deposits, an offer that was very well received. Of the total of these captures, 6.72% was generated by this means.

Payment Methods

Credit Cards

The year 2022 stood out for being the first year with stability following the end of the health crisis that began in 2020. In summary, the payment methods strategy was growth through the placement of cards, the search for alliances with establishments and the strengthening of digital channels.

The opening of 80,038 new cards –79.7% more than in 2021– was the basis for the sustained increase of the portfolio in the short and medium term. The acquisition strategy focused on the medium and high value segments, with more competitive quotas and better category cards being offered.

At the end of the year, the total number of credit card customers amounted to 297,166, an increase of 23% over 2021. Of this amount, 82% maintained balances for their purchases made at the end of 2022.

This year, new products were designed aimed at reactivating travel and tourism: business lines that were affected during the pandemic. *Visa Lifemiles* and *Mastercard Spirit* airline cards provide our customers with personalised benefit options according to their consumption and travel expectations.

To boost cardholder consumption, we focus on personalised campaigns, designed based on their consumption habits and sociodemographic profile. Over 600 campaigns and more than 60 promotional events were conducted this year, which allowed us to obtain a 29% higher turnover than in 2021 for a total amount of USD 1,475 million.

Number of Credit Cards Placed by Type

Type	Cards 2021	% Part. 2021	Cards 2022	% Part. 2022
Gold and Platinum	26,535	59.57%	45,798	57.22%
Black Signature & Infinite	11,193	25.13%	27,631	34.52%
Classic	6,201	13.92%	5,896	7.37%
Corporate	612	1.38%	713	0.89%
Total	44,541	100.00%	80,038	100.00%

Evolution of Credit Cards by Card Type

Type	Cards 2021	% Part. 2021	Cards 2022	% Part. 2022
Gold and Platinum	137,054	56.68%	167,046	56.21%
Black Signature e Infinite	61,260	25.34%	88,970	29.94%
Classic	38,264	15.83%	35,372	11.90%
Corporate	5,206	2.15%	5,778	1.94%
Total	241,784	100.00%	297,166	100.00%

Billing Evolution by Card Type

Type	Billing 2021(USD)	% Part. 2021	Billing 2022(USD)	% Part. 2022
Black Signature & Infinite	481,557,523	45%	731,398,560	50%
Gold and Platinum	438,932,329	41%	575,756,254	39%
Corporate	70,400,236	7%	100,279,129	7%
Classic	69,146,328	7%	67,272,218	5%
Total	1,060,036,416	93%	1,474,706,161	95%

Participation of Consumption by Business Line of Establishment

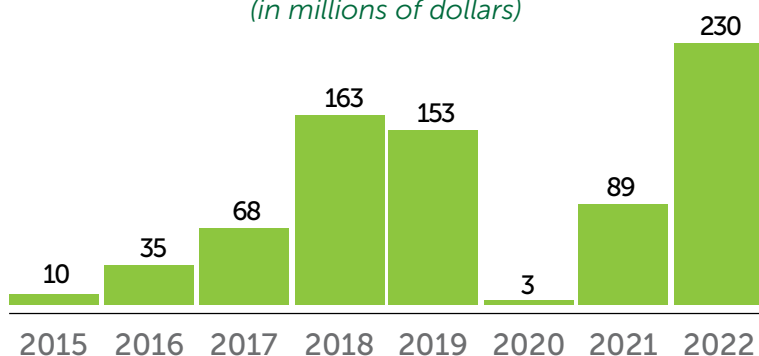
Business	2021	2022	Variation 2021-2022
Supermarkets	12.3%	11.3%	-1.0%
Boutique	8.1%	8.0%	-0.1%
Health	6.7%	7.3%	0.7%
Services	7.5%	7.0%	-0.5%
Transportation	7.9%	6.5%	-1.4%
Insurance and brokers	5.0%	5.5%	0.5%
Places to eat	3.8%	5.0%	1.2%
Education	5.0%	4.7%	-0.3%
Other	43.6%	44.6%	1.0%

On the other hand, the loan portfolio closed 2022 with a balance of USD 927 million, this is USD 230 million more than the previous year; in this manner, we consolidated a growth trend that led us to rank fourth in the ranking of portfolio balances of financial institutions issuing credit cards.

Evolution of Portfolio Balance by Card Type (in millions of dollars)

Type	Portfolio 2021	% Part. 2021	Portfolio 2022	% Part. 2022
Gold and Platinum	275.3	40%	338.7	37%
Black Signature & Infinite	366.6	53%	526.7	57%
Classic	30.7	4%	28.9	3%
Corporate	23.9	3%	32.5	4%
Total	696.5	100%	926.8	100%

Historic Credit Card Portfolio Growth (in millions of dollars)



Our customers' turnover with digital payment solutions increased by 115% compared to 2021.

Evolution of Billing by Digital Platform

Platform	Billing 2021	% Part. 2021	Billing 2022	% Part. 2022
PayPhone	81,480,992	74%	138,811,065	59%
Cybersource	4,037,712	4%	58,411,963	25%
Paymenttez	19,012,950	17%	33,202,047	14%
Alignet	4,926,545	4%	6,180,357	3%
Medianet Pay	667,831	1%	545,931	0%
Total	110,126,030	100%	237,151,364	100%

In addition, we launched several initiatives that contributed to the Bank's value offering, including:

- Enabling the use of tokenised cards.
- Consumer challenge campaigns for present and non-present card transactions, thanks to the incentive agreements we hold with Mastercard.
- Consolidation of the *Swat Project* for companies, which consists of exploring non-traditional niches of card consumption.
- Development of the *Mastercard Companion Card*, as a solution for *Payphone cashout*.
- Implementation of payment solution to suppliers for companies with *Visa Payables Automation* solution.
- Enabling the exchange of MaxiDólar in Tipti.
- *Digital Onboarding* for new customer acquisition.
- 975 new affiliations to establishments.

Debit Cards

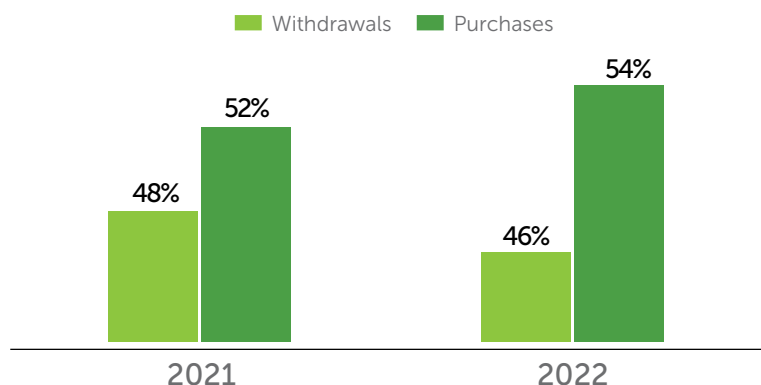
Billing with this means of payment grew by 24% compared to that registered in 2021. Over 25 exclusive debit card campaigns were launched in addition to those traditionally performed with which we reached total cumulative billing of USD 661 million.

At the end of 2022, the Bank's debit portfolio had 1.12 million cards, 16% more than in 2021.

Evolution of Portfolio Balance by Card Type
(in millions of dollars)

Detail	2021	2022
Cards	970,707	1,125,943
Billing (USD)	532,859,272	660,810,207

Evolution in Debit Card Transactions



This year also saw the development of a new product for our very high-value customers: The *Visa Infinite AUREA* debit card.

During 2022, the growth of purchase transactions in relation to debit card withdrawals continued.

Cash Management

Through the *Cash Management* technological tool, we offer our clients a variety of specialised and low-cost solutions for the efficient management of their main Treasury operations. Companies can register both payment and collection instructions and approval levels according to the characteristics of their operation from anywhere in the world and through various information exchange mechanisms, which include the highest security standards.

In 2022, we focused on three work axes:

The first was cybersecurity, for which we applied industry best practices: we updated access control using international industry standards. We followed up and accompanied all users of the tool in the adoption of even more robust security factors than those we already maintained, and we conducted monthly education and awareness campaigns to the users of our client companies to prevent them from being vulnerable to digital crime. In this manner, we continue to meet the objective of offering the customer the best experiences thus guaranteeing secure connectivity, which strengthens confidence in our systems.

The second axis on which we concentrated our efforts was that of user experience. We work together with a Spanish

firm of high prestige in the field with the main purpose of identifying the needs, pains, suggestions, and actions that users expect from the tool. Through an established methodology—which included surveys, interviews and prototypes—we defined a line of work, among the various actors to translate all the recommendations on our platform. This process is running and will be available in 2023.

Finally, in the third instance, we created new channels for service: WhatsApp, which facilitates immediate self-management or the option of communicating directly with specialised advisors and who provide the timely response demanded by Treasury operations. In this same line, the hours and days of service of the Call Centre managers were extended, all of whom were trained to directly guide business customers in the requirements that may arise.

In terms of collections, this year we continue to increase the range of alternatives so that users can register and order their transactions from the comfort of their office or home with the help of the website or app. Thanks to the strategies and methods we have used in all our projects, we managed to implement the collections in the shortest possible time. As an example, this year, we became the first bank to offer the collection of the *Mobility Tax* of the Provincial Government of Pichincha, which allowed us to have a competitive advantage versus the competition.

The 2021 - 2022 evolution of the number of transactions, and the volume of revenue processed by Cash Management, is broken down in the following tables:

2021-2022 Evolution of the Number of Transactions Processed through Cash Management

Type	Transactions 2021	Transactions 2022	Variation	% Growth
Produbanco	17,581,151	18,797,505	1,216,354	6.92%


2021-2022 Evolution of the Volume of Income in Dollars Processed Through Cash Management

Type	Transactions 2021	Transactions 2022	Variation	% Growth
Produbanco	8,825,801.27	8,959,823.00		
ServiPagos	3,416,302.27	4,752,008.72		
Total	12,242,103.54	13,711,831.72	1,469,728.18	12.01%

Digital Channels

The number of monetary transactions conducted by the Bank's digital channels grew by 33% compared to 2021.

The channels that had a better evolution during 2022 were the Bank's mobile applications and website. The *Mobile App* grew by 68%, whilst *Produbanco* grew by 54%. On the



other hand, the processing of transactions in *produbanco.com* saw an increase of 10% compared to 2021.

These figures are achieved by the organic adoption of these channels by customers. The effort and constant development that we dedicate to improving the experience in the interaction with our channels, especially in the mobile channels on which the efforts to improve them appear, have borne fruit in terms of use and number of customers who use these channels to transact quickly and safely.

Evolution of the Number of Transactions in Digital Channels

Year	Mobile App	be Produbanco	produbanco.com	Total
2020	4,361,751	847,426	12,512,366	17,721,543
2021	9,151,220	1,305,392	14,891,350	25,347,962
2022	15,360,806	2,009,712	16,451,936	33,822,454
Growth	68%	54%	10%	33%

Recognitions Received

Best Bank Ecuador

2022 / 2021 / 2020 / 2019 / 2018 / 2017

Best Digital Bank

2022 / 2021 / 2020 / 2019 / 2018 / 2017

World's Best Investment Banks

2022

The Innovators

2021



Best Innovation in Retail Banking

2023 / 2022 / 2021 / 2020 / 2019 /
2018 / 2017

Customer Service

Provider of the Year South America

2020 / 2019



Best Commercial Bank

2017

Bank of the Year

2022 / 2021 / 2020 / 2019 / 2018 / 2017 /
2015 - 2009 / 2007 / 2002



Power Digital Brands

Banking Category - Brand Management on Facebook
2022

Banking Category - Brand Management on Facebook and Instagram
2021



Innovate Digital Retail Bank of the Year

2019

Bank of the Year

2018 / 2017

Best Corporate Governance

2018



Best Bank Governance

2020 / 2019 / 2018 / 2017



First Place in the Category Most Respected Financial Institution in Ecuador

2018



First Place in Quality of Service

Ekos Customer Satisfaction Index
2022 / 2021 / 2020 / 2019 / 2018 / 2017



Latin Finance Bank of the Year

2017 / 2003



Best Customer Experience (BCX)

Best Company
Banking Sector in Ibero-America
2022 / 2021



Best Customer Experience (BCX)

Third place
Best Company
Country
2022 / 2021



Best Customer Experience (BCX)

Best Company
Ecuador Banking Sector
2022 / 2021



AAA Risk Rating

September 2022,
issued by
Pacific Credit Rating

AAA

AA+ Risk Rating

September 2022,
issued by
BankWatch Ratings S.A.

AA+

Risk Rating B-

September 2022,
issued by
Fitch Ratings

B-

Certifications and Recognitions in Sustainability

**ESR® Badge
Socially Responsible
Company**
2022 / 2021



Carbon Footprint Reduction Certification

Zero-Carbon Ecuador
First company
in Ecuador
2022



Edge Certification

Guayaquil Branch Building
2021



Edge Advanced Certification

Ekopark and Iñaquito buildings
2021

Sustainable Finance Leadership in Ecuador

Outstanding Leadership in ESG
Related Loans in LA

Financial Leadership in Sustaining
Communities in LA
2022



Certification of Carbon Neutrality

2021



Outstanding Leadership in Resource Management

Outstanding Leadership in ESG
Related Loans in LA

Financial Leadership in Sustaining
Communities in LA
2021



Financial Statements



Consolidated Balance Sheet
Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

	2021	2022	% Growth
Asset			
Available funds and investments	2,011,491	2,145,709	6.67%
Credit portfolio	3,780,483	4,465,756	18.13%
Debtors by acceptances			
Accounts receivable	68,274	71,603	4.88%
Realisable goods, awarded by payment	14,252	20,409	43.20%
Properties and equipment	87,111	91,083	4.56%
Other assets	194,447	207,412	6.67%
Total Assets	6,156,058	7,001,972	13.74%
Liability			
Obligations to the public	4,842,635	5,330,514	10.07%
Interbank operations			
Immediate obligations	30,623	35,953	17.41%
Acceptances in circulation			
Accounts Payable	159,245	208,865	31.16%
Financial obligations	462,458	583,191	26.11%
Securities in circulation		50,000	
Subordinated debt	138,500	208,500	50.54%
Other liabilities	27,392	29,983	9.46%
Total Liabilities	5,660,853	6,447,007	13.89%
Total Equity	495,204	554,965	12.07%
Total Liabilities and Equity	6,156,058	7,001,972	13.74%
Contingent	1,522,762	1,740,081	14.27%

Profit and Loss Statement
Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

	2021	2022	% Growth
Revenue			
Interest and discounts earned	384,247	451,656	17.54%
Commissions earned	23,328	29,720	27.40%
Financial profits	11,865	16,177	36.33%
Service revenue	88,398	107,030	21.08%
Other operating income	10,158	12,708	25.10%
Other income	52,437	50,648	-3.41%
Total Revenue	570,432	667,938	17.09%
Expenses			
Interest caused	111,899	137,330	22.73%
Commissions caused	2,649	2,560	-3.37%
Financial losses	1,577	1,099	-30.35%
Provisions	135,424	113,917	-15.88%
Operating expenses	241,510	277,120	14.74%
Other operating losses	2,505	2,072	-17.29%
Other expenses and losses	754	511	-32.20%
Total Expenditures	496,318	534,608	7.71%
Profit before provision			
Employee participation and income tax	74,115	133,330	79.90%
Provision for employee participation in profits	11,395	20,278	77.96%
Profit before income tax provision	62,720	113,052	80.25%
Provision for income tax	16,827	30,212	79.54%
Net Income	45,892	82,840	80.51%

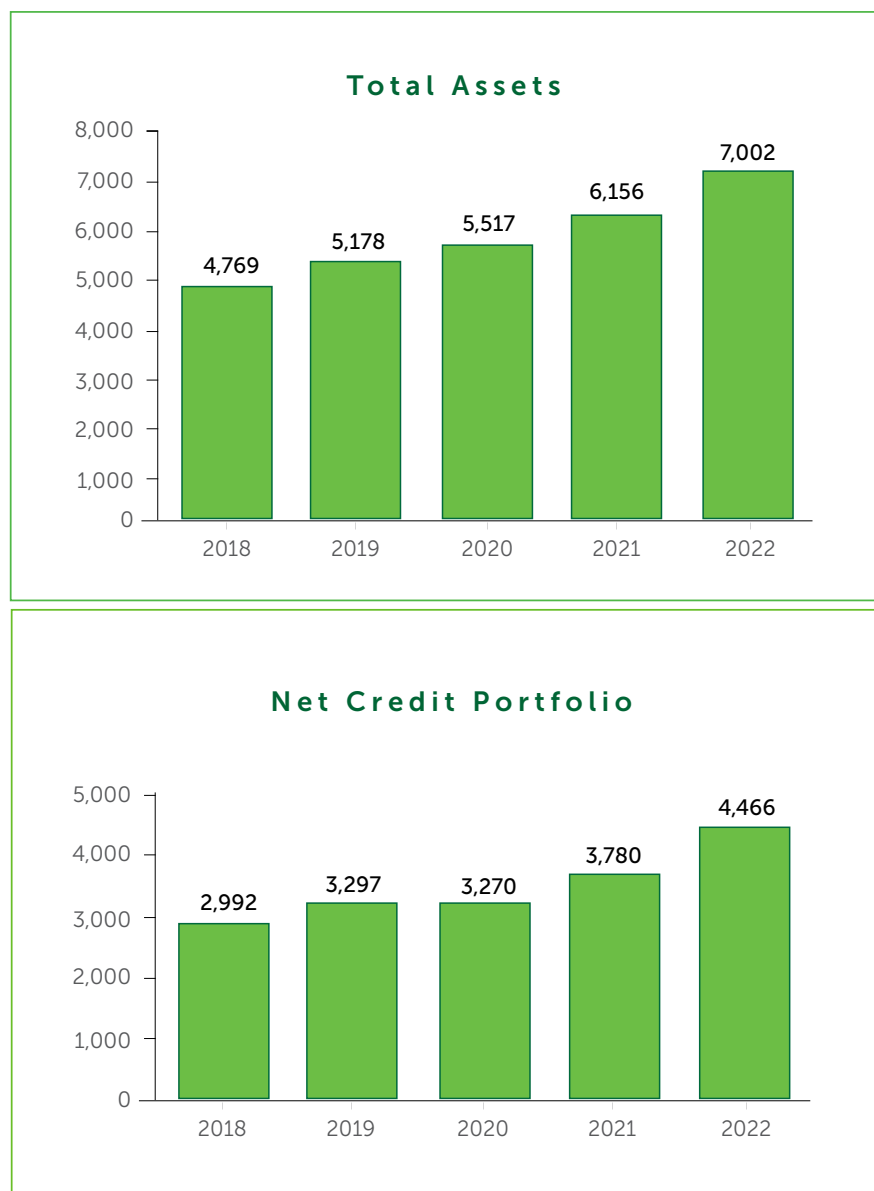
Taxes, Contributions and Contributions Paid Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

	Dec 2021	Dec 2022	Variation
Income tax	16,827	30,212	13,385
COSEDE Contributions	26,994	22,741	-4,253
Bank Superintendence Contributions	6,433	7,208	775
Municipal Taxes	1,835	2,521	686
Other taxes and contributions	2,435	2,366	-69
VAT on purchases	14,395	17,751	3,357
Total Direct Taxes	68,920	82,799	13,880
	Dec 2021	Dec 2022	Variation
Payment of employee Income tax	0	0	0
Employee IESS payment contributions	5,648	6,363	715
Total Indirect Taxes and Contributions	5,648	6,363	715
	Dec 2021	Dec 2022	Percentage Variation Points
Direct Tax Burden / Group Profit	150.18%	99.95%	-50.23
Direct, indirect tax burden and Contributions / Group Profit	162.48%	107.63%	-54.85
Net Income	45,892	82,840	36,948

Total Assets and Net Credit Portfolio Banco de la Producción S.A. and Subsidiaries

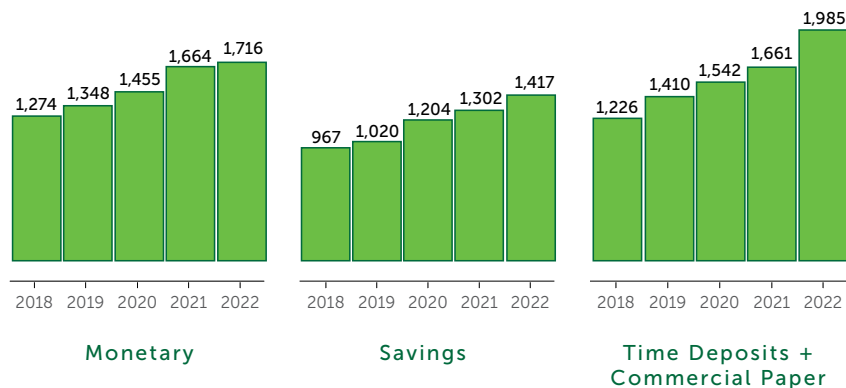
Millions of USD dollars



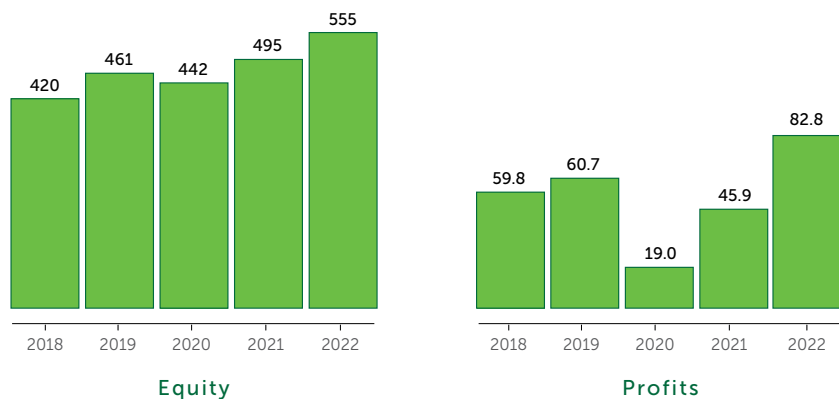
Obligations to the Public, Commercial Paper, Equity, and Net Profits Banco de la Producción S.A. and Subsidiaries

Millions of USD dollars

Obligations to the Public and Commercial Paper



Equity and Net Profits



Main Accounts and Financial Indicators Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

	2021	2022	% Growth
Accounts			
Total Assets	6,156,058	7,001,972	13.74%
Available Cash and Investments	2,011,491	2,145,709	6.67%
Credit Portfolio	3,780,483	4,465,756	18.13%
Obligations to the Public	4,842,635	5,330,514	10.07%
Equity	495,204	554,965	12.07%
Net Income	45,892	82,840	80.51%
Contingents	1,522,762	1,740,081	14.27%
Assets + Contingents	7,678,820	8,742,052	13.85%
Indicators			
Solvency			
Constituted Technical Equity / Weighted assets and contingents by Risk	13.40%	14.29%	0.89*
Asset Quality			
Total gross delinquency	1.35%	1.71%	0.36*
Manejo Administrativo			
Productive Assets / Liabilities with Cost	139.98%	136.62%	-3.37*
Profitability			
Yield / Equity - ROE	10.21%	17.08%	6.87*
Liquidity			
Available Funds / Total Short-Term Deposits	33.46%	39.30%	5.85*

Note (*): The increase/decrease is expressed in percentage points.

Balance Sheet
Banco de la Producción S.A.

Thousands of USD dollars

	2021	2022	% Growth
Asset			
Available funds and investments	2,009,916	2,142,525	6.60%
Credit portfolio	3,780,699	4,465,854	18.12%
Debtors by acceptances	0	0	0.00%
Accounts receivable	69,151	70,924	2.56%
Realisable goods, awarded by payment	14,252	20,409	43.20%
Properties and equipment	82,384	84,311	2.34%
Other assets	195,536	210,767	7.79%
Total Assets	6,151,938	6,994,792	13.70%
Liability			
Obligations to the public	4,850,298	5,339,005	10.08%
Interbank operations	0	0	0.00%
Immediate obligations	30,623	35,953	17.41%
Acceptances in circulation	0	0	0.00%
Accounts Payable	146,865	193,367	31.66%
Financial obligations	462,458	583,191	26.11%
Securities in circulation	0	50,000	
Subordinated debt	138,500	208,500	50.54%
Other liabilities	27,375	29,934	9.35%
Total Liabilities	5,656,119	6,439,951	13.86%
Equity			
Paid-in capital	394,760	423,960	7.40%
Premium on placement of shares	1,105	1,105	0.00%
Legal reserves	58,101	62,680	7.88%
Surplus from valuations	-4,290	-16,097	275.23%
Accumulated profits	351	598	70.30%
Profit for the year	45,792	82,595	80.37%
Total Equity	495,819	554,841	11.90%
Total Liabilities and Equity	6,151,938	6,994,792	13.70%
Contingents	1,522,762	1,740,081	14.27%

Profit and Loss Statement
Banco de la Producción S.A.

Thousands of USD dollars

	2021	2022	% Growth
Revenue			
Interest and discounts earned	384,166	451,530	17.54%
Commissions earned	23,328	29,720	27.40%
Financial profits	11,856	16,100	35.80%
Service revenue	75,392	91,586	21.48%
Other operating income	11,919	14,489	21.56%
Other income	52,463	50,889	-3.00%
Total Revenue	559,124	654,314	17.02%
Expenses			
Interest caused	111,579	137,075	22.85%
Commissions caused	2,649	2,560	-3.37%
Financial losses	1,569	1,099	-29.99%
Provisions	135,256	113,916	-15.78%
Operating expenses	231,459	265,193	14.57%
Other operating losses	3,072	2,179	-29.05%
Other expenses and losses	754	511	-32.19%
Total Expenditures	486,339	522,533	7.44%
Profit before provision for employee participation and income tax	72,786	131,781	81.05%
Provision for employee Participation in profits	10,905	19,764	81.23%
Profit before provision for income tax	61,880	112,018	81.02%
Provision for Income Tax	16,088	29,423	82.88%
Net Income	45,792	82,595	80.37%

Equity Movement (January to December 2022)
Banco de la Producción S.A.

Units of USD dollars

	Capital	Legal Reserve	Special Reserve	Premium or discount on share placement	Surplus by valuation	Accrued Profit	Profit for the year	Total
Balance as of December 31, 2021	394,760,000	58,100,996	-	1,104,774	-4,289,938	351,195	45,791,930	495,818,957
Stock valuation and participations					102,047			102,047
Valuation of investments in Financial instruments					-11,311,202			-11,311,202
Capital, legal reserve, reserve by Revaluation of assets								0
Future contribution capitalisations			28,848,916			-28,848,916		0
Dividend payments						-12,363,821		-12,363,821
Transfer to accrued profits						45,791,930	-45,791,930	0
Appropriation legal reserve		4,579,193				-4,579,193		0
Depreciation year 2022 Valued portion of assets					-257,886	257,886		0
Reverse valuation for sale of assets					-340,087	340,087		0
Asset valuation								0
Capital increase	29,200,000		-28,848,916			-351,084		0
Profit for the year							82,594,679	82,594,679
Balance as of December 31, 2022	423,960,000	62,680,189	-	1,104,774	-16,097,066	598,084	82,594,679	554,840,660

Relationship between Total Technical Equity and Risk-Weighted Assets and Contingents (December 2021 - 2022)
Banco de la Producción S.A.

Thousands of USD dollars

	Dec 2021	Dec 2022
Total Primary Technical Equity	449,429,029	485,180,265
Total Secondary Technical Assets	201,902,708	288,189,450
Total Technical Equity	651,331,737	773,369,714
Deductions to Total Technical Assets	9,659,187	10,269,602
Constituted Technical Equity	641,672,550	763,100,113
Total Risk-Weighted Assets and Contingents	4,832,268,576	5,387,539,422
Technical Equity Requirement (9%)	434,904,172	484,878,548
Surplus or Deficiency of Required Technical Equity	206,768,378	278,221,565
Total and Contingent Assets x 4%	306,987,997	349,394,889
Solvency Index (Technical Equity / Risk-Weighted Assets and Contingents)	13.28%	14.16%

Summary of Credit and Contingent Portfolio Rating and Provision Constitution (as of December 30, 2022) | Page 1 of 6
Banco de la Producción S.A.

Units of USD dollars

231 A.1 | Productive Credit

Category	Qualifier	Total	Credits Covered with Self-liquidating Guarantees	Balance Subject to Qualification	% Participa-tion	% of Provision	Provisions Required	Provisions constituted	Difference between Required and Constituted	Provisions Mitigated by Mortgage Guarantees	Provisions Surplus or Deficit
A1	Normal Risk	152,159,692	7,446,187	144,713,504	4.80%	0.82%	1,515,439	1,245,968	269,472	269,472	0
A2		383,116,650	4,210,832	378,905,818	12.10%	0.74%	3,918,474	2,824,242	1,094,233	1,094,233	0
A3		2,435,752,085	31,093,213	2,404,658,873	76.90%	1.71%	62,292,435	41,550,167	20,742,268	20,742,268	0
B1	Risk Potential	10,524,805	0	10,524,805	0.33%	3.17%	515,035	333,418	181,617	181,617	0
B2		3,419,205	0	3,419,205	0.11%	7.36%	473,459	251,645	221,814	221,814	0
C1	Deficient	3,071,173	0	3,071,173	0.10%	12.41%	649,332	381,044	268,288	268,288	0
C2		3,602,493	0	3,602,493	0.11%	41.79%	1,505,444	1,505,444	0	0	0
D	Doubtful Collection	9,046,442	0	9,046,442	0.29%	72.28%	6,538,915	6,538,915	0	0	0
E	Loss	7,016,354	87,000	6,929,354	0.22%	98.76%	7,016,354	6,929,354	87,000	87,000	0
AL	100% Self-liquidating Guarantees	159,641,344	159,641,344	0	5.04%	0.00%	0	0	0	0	0
	Total	3,167,350,243	202,478,576	2,964,871,667	100.00%	1.94%	84,424,887	61,560,195	22,864,692	22,864,692	0

Units of USD dollars

231 A.2 | Consumer Credit

Category	Qualifier	Total	Credits Covered with Self-liquidating Guarantees	Balance Subject to Qualification	% Participation	% of Provision	Provisions Required	Provisions constituted	Provisions Surplus or Deficit
A1	Normal Risk	1,360,847,676	832,836	1,360,014,840	84.66%	1.00%	13,608,490	13,600,162	-8,328
A2		75,220,896	39,958	75,180,938	4.68%	1.01%	759,731	759,328	-404
A3		28,845,811	619	28,845,192	1.79%	2.01%	579,801	579,788	-12
B1	Risk Potential	16,949,195	1,388	16,947,807	1.05%	5.01%	849,155	849,085	-70
B2		12,970,213	260	12,969,952	0.81%	15.01%	1,946,829	1,946,790	-39
C1	Deficient	28,800,859	654	28,800,205	1.79%	25.01%	7,203,095	7,202,931	-164
C2		15,266,690	272	15,266,418	0.95%	50.01%	7,634,871	7,634,735	-136
D	Doubtful Collection	19,211,939	510	19,211,428	1.20%	75.01%	14,410,875	14,410,492	-383
E	Loss	30,929,011	383	30,928,628	1.92%	100.00%	30,929,011	30,928,628	-383
AL	100% Self-liquidating Guarantees	18,428,546	18,428,546	0	1.15%	0.00%	0	0	0
	Total	1,607,470,834	19,305,427	1,588,165,407	100.00%	4.85%	77,921,858	77,911,939	-9,918

Units of USD dollars

231 A.3 | Real Estate Credit

Category	Qualifier	Total	Credits Covered with Self-liquidating Guarantees	Balance Subject to Qualification	% Participation	% of Provision	Provisions Required	Provisions constituted	Provisions Surplus or Deficit
A1	Normal Risk	229,954,019	73,329	229,880,690	84.19%	1.00%	2,299,540	2,298,807	-733
A2		15,708,160	0	15,708,160	5.75%	2.00%	314,163	314,163	0
A3		11,304,523	0	11,304,523	4.14%	3.00%	339,136	339,136	0
B1	Risk Potential	3,627,749	0	3,627,749	1.33%	6.00%	217,665	217,665	0
B2		1,800,291	0	1,800,291	0.66%	10.00%	180,029	180,029	0
C1	Deficient	3,201,339	0	3,201,339	1.17%	20.00%	640,268	640,268	0
C2		839,132	0	839,132	0.31%	40.00%	335,653	335,653	0
D	Doubtful Collection	2,396,502	0	2,396,502	0.88%	68.38%	1,638,727	1,638,727	0
E	Loss	4,317,920	0	4,317,920	1.58%	100.00%	4,317,920	4,317,920	0
AL	100% Self-liquidating Guarantees	0	0	0	0.00%	0.00%	0	0	0
	Total	273,149,636	73,329	273,076,307	100.00%	3.76%	10,283,101	10,282,368	-733

Units of USD dollars

231 A.4 | Microcredit

Category	Qualifier	Total	Credits Covered with Self-liquidating Guarantees	Balance Subject to Qualification	% Participation	% of Provision	Provisions Required	Provisions constituted	Provisiones Exceso o Déficit
A1	Normal Risk	23,794,102	53,224	23,740,878	82.67%	1.00%	237,941	237,409	-532
A2		1,653,918	0	1,653,918	5.75%	1.01%	16,705	16,705	0
A3		388,324	0	388,324	1.35%	2.01%	7,805	7,805	0
B1	Risk Potential	288,260	0	288,260	1.00%	5.01%	14,442	14,442	0
B2		61,894	0	61,894	0.22%	15.01%	9,290	9,290	0
C1	Deficient	229,281	0	229,281	0.80%	25.01%	57,343	57,343	0
C2		146,946	0	146,946	0.51%	50.01%	73,488	73,488	0
D	Doubtful Collection	426,949	0	426,949	1.48%	75.01%	320,254	320,254	0
E	Loss	368,432	0	368,432	1.28%	100.00%	368,432	368,432	0
AL	100% Self-liquidating Guarantees	1,424,767	1,424,767	0	4.95%	0.00%	0	0	0
	Total	28,782,872	1,477,991	27,304,881	100.00%	3.84%	1,105,699	1,105,167	-532

Units of USD dollars

231 A.6 | Educational Credit

Category	Qualifier	Total	Credits Covered with Self-liquidating Guarantees	Balance Subject to Qualification	% Participation	% of Provision	Provisions Required	Provisions constituted	Provisions Surplus or Deficit
A1	Normal Risk	978,206	0	978,206	72.54%	1.00%	9,782	9,782	0
A2		183,071	0	183,071	13.58%	1.01%	1,849	1,849	0
A3		129,741	0	129,741	9.62%	2.01%	2,608	2,608	0
B1	Risk Potential	7,729	0	7,729	0.57%	5.01%	387	387	0
B2		17,428	0	17,428	1.29%	15.01%	2,616	2,616	0
C1	Deficient	23,012	0	23,012	1.71%	25.01%	5,755	5,755	0
C2		9,312	0	9,312	0.69%	50.01%	4,657	4,657	0
D	Doubtful Collection	0	0	0	0.00%	0.00%	0	0	0
E	Loss	0	0	0	0.00%	0.00%	0	0	0
AL	100% Self-liquidating Guarantees	0	0	0	0.00%	0.00%	0	0	0
	Total	1,348,499	0	1,348,499	100.00%	2.05%	27,654	27,654	0

Summary of Credit and Contingent Portfolio Rating and Provision Constitution (as of December 30, 2022) | Page 6 of 6
Banco de la Producción S.A.

Units of USD dollars

Overall Total

		Total	Credits Covered with Self-liquidating Guarantees	Balance Subject to Qualification	% Participation	% of Provision	Provisions Required	Provisions constituted	Provisions Surplus or Deficit
	Overall Total	5,078,102,084	223,335,323	4,854,766,760	100.00%	2.97%	173,763,199	150,887,323	-11,184

List of the Rating of Investments and Other Assets and Constitution of Provisions (as of December 31, 2022) | Page 1 of 2
Banco de la Producción S.A.

Units of USD dollars

231 B.1

Code	Investments	Nominal Value	Market Value	Specific provisions	General Provisions for Investments
1301	At fair value with changes in the income statement of private-sector entities.	0.00	0.00	0.00	0.00
1302	At fair value with changes in the income statement of public-sector entities.	0.00	0.00	0.00	0.00
1303	Available for sale by private-sector entities.	60,050,139.78	59,608,995.11	0.00	0.00
1304	Available for sale by State or public-sector entities.	216,257,831.60	191,798,277.46	0.00	0.00
	Total	276,307,971.38	251,407,272.57	0.00	0.00

Code	Investments	Value in Books	Market Value	Specific provisions	General Provisions for Investments
1202	Operations reporting with financial institutions.	0.00	0.00	0.00	0.00
1305	Held at maturity - private sector.	199,442.50	199,442.50	2,132.49	0.00
1306	Held at maturity - State or public-sector entity.	204,927,415.67	204,927,415.67	0.00	0.00
1307	Restricted availability.	17,777,210.84	17,777,210.84	0.00	0.00
190205	Fiduciary rights - investments.	90,362.23	90,362.23	0.00	0.00
	Total	222,994,431.24	222,994,431.24	2,132.49	0.00

List of the Rating of Investments and Other Assets and Constitution of Provisions (as of December 31, 2022) | Page 2 of 2
Banco de la Producción S.A.

Units of USD dollars

231 B.2

Code	Other Assets	Total	% Risk	Provisions Required	Provisions constituted	Provisions Surplus or Deficit
A1	Normal Risk	39,604,990.27	88.90%	278,928.38	285,350.79	6,422.40
A2		703,051.53	1.58%	14,061.03	14,061.03	0.00
A3		371,912.34	0.83%	14,876.49	14,876.49	0.00
B1	Potential Risk	231,646.37	0.52%	17,373.57	17,373.57	0.00
B2		166,236.61	0.37%	24,104.38	24,104.38	0.00
C1	Deficient	238,847.83	0.54%	70,460.21	70,460.21	0.00
C2		343,769.07	0.77%	173,183.88	173,292.67	108.79
D	Doubtful collection	322,749.67	0.72%	256,586.07	256,586.07	0.00
E	Loss	2,567,658.97	5.76%	2,567,658.97	2,567,658.97	0.00
	Evaluated	44,550,862.66	100.00%	0.00	0.00	0.00
	Not Evaluated	0.00	0.00	0.00	0.00	0.00
	Total	44,550,862.66	100.00	3,417,232.98	3,423,764.18	6,531.19

% of other assets assessed [(valued / total) 100] =

% Risk Other assets assessed [(Prov. required / evaluated) 100] =

Estimated loss Other Assets [totals x risk Other assets assessed] =

100.00%

7.67%

231 B.3

Goods in Dation	Total	Required Provisions (a)	Appraisal Provisions Required (b)	Total Provisions Required	Provisions constituted	Provisions Surplus or Deficit
Risks	9,499,007.87	4,469,743.11	234,439.32	4,704,182.43	4,719,104.86	14,922.43
Total	9,499,007.87	4,469,743.11	234,439.32	4,704,182.43	4,719,104.86	14,922.43

(a) Provisions required: art. 195 of the Organic Monetary and Financial Code.

(b) Provisions Required by Appraisal: Second paragraph, numeral 3, article 5, section II, chapter XVIII, title II, book 1 of the Codification of Securities and Insurance Monetary and Financial Resolutions.

Balance Sheet
Externalización de Servicios S.A. Exsersa

Thousands of USD dollars

	2021	2022	% Growth
Asset			
Available funds and investments	3,252	3,146	-3.26%
Credit portfolio			
Debtors by acceptances			
Accounts receivable	946	967	2.22%
Realisable goods, awarded by payment			
Properties and equipment*	5,095	7,072	38.80%
Other assets	2,473	3,614	46.17%
Total Assets	11,766	14,800	25.78%
Liability			
Obligations to the public			
Interbank operations			
Immediate obligations			
Acceptances in circulation			
Accounts Payable*	7,458	9,087	21.84%
Securities in circulation			
Bonds convertible into shares and contributions for future capitalisations			
Other liabilities			
Total Liabilities	7,458	9,087	21.84%
Total Equity	4,308	5,713	32.61%
Total Liabilities and Equity	11,766	14,800	25.78%
Note (*): In 2019, IFRS 16 on Leases came into force; therefore, in application of same, these items include the registration of <i>Right of Use Assets and Lease Liabilities</i> .			

Profit and Loss Statement
Externalización de Servicios S.A. Exsersa

Thousands of USD dollars

	2021	2022	% Growth
Revenue			
Interest and discounts earned	3		-100.00%
Commissions earned			
Financial profits	5	35	645.41%
Service revenue	16,071	17,904	11.40%
Other operational operations			
Other income	356	119	-66.60%
Total Revenue	16,435	18,058	9.87%
Expenses			
Interest caused	466	507	8.94%
Commissions caused			
Financial losses			
Provisions	168	2	-99.05%
Operating expenses	13,722	15,439	12.51%
Other operating losses			
Other expenses and losses			
Taxes and employee participation			
Total Expenditures	14,355	15,948	11.09%
Profit before provision for employee participation and income tax	2,080	2,110	1.42%
Provision for employee participation profit sharing	289	326	12.92%
Profit before provision for income tax	1,791	1,783	-0.44%
Provision for Income Tax	355	391	9.97%
Net Income	1,436	1,392	-3.01%

Balance Sheet
Protramites Trámites Profesionales S.A.

Thousands of USD dollars

	2021	2022	% Growth
Asset			
Available funds and investments	1,011	1,085	7.32%
Assets available for the Sale - Purchase Portfolio	1,429	1,389	-2.80%
Debtors by acceptances			
Accounts receivable	3	10	233.33%
Realisable goods, awarded by payment			
Properties and equipment	632	768	21.52%
Other assets	811	915	12.82%
Total Assets	3,886	4,167	7.23%
Liability			
Obligations to the public			
Interbank operations			
Immediate obligations			
Acceptances in circulation			
Accounts Payable	2,427	2,483	2.31%
Financial obligations	134	47	-64.93%
Contributions for future capitalisations			
Other liabilities			
Total Liabilities	2,561	2,530	-1.21%
Total Equity	1,325	1,637	23.55%
Total Liabilities and Equity	3,886	4,167	7.23%

Profit and Loss Statement
Protramites Trámites Profesionales S.A.

Thousands of USD dollars

	2021	2022	% Growth
Revenue			
Interest and discounts earned	107	142	32.71%
Commissions earned			
Financial profits			
Service revenue	4,456	4,374	-1.84%
Other operating income	557	411	-26.21%
Other income	17	69	305.88%
Total Revenue	5,137	4,996	-2.74%
Expenses			
Interest caused	79	62	-21.52%
Commissions caused			
Financial losses			
Provisions			
Operating expenses	3,778	4,141	9.61%
Other operating losses			
Other expenses and losses	139	190	36.69%
Taxes and employee participation			
Total Expenditures	3,996	4,393	9.93%
Profit before provision for employee participation and income tax	1,141	603	-47.15%
Provision for employee profit sharing	170	83	-51.18%
Profit before provision for income tax	971	520	-46.45%
Provision for Income Tax	283	204	-27.92%
Net Income	688	316	-54.07%

Balance Sheet Ecuapayphone C.A.

Thousands of USD dollars

	2021	2022	% Growth
Asset			
Available funds and investments	4,138	5,769	39.43%
Credit portfolio			
Debtors by acceptances			
Accounts receivable		191	
Realisable goods, awarded by payment			
Properties and equipment	21	26	28.37%
Other assets	518	353	-31.89%
Total Assets	4,677	6,340	35.56%
Liability			
Obligations to the public			
Interbank operations			
Immediate obligations			
Acceptances in circulation			
Accounts Payable	3,411	4,969	45.70%
Financial obligations	82	52	-37.00%
Contributions for future capitalisations			
Other liabilities			
Total Liabilities	3,493	5,021	43.76%
Total Equity	1,184	1,319	11.36%
Total Liabilities and Equity	4,677	6,340	35.55%

Profit and Loss Statement Ecuapayphone C.A.

Thousands of USD dollars

	2021	2022	% Growth
Revenue			
Interest and discounts earned	87	204	135.63%
Commissions earned		13	
Financial profits			
Service revenue	1,359	3,635	167.47%
Other operating income			
Other income	4	13	217.90%
Total Revenue	1,450	3,865	166.62%
Expenses			
Interest caused		6	
Commissions caused			
Financial losses			
Provisions			
Operating expenses	2,036	3,680	80.79%
Other operating losses			
Other expenses and losses			
Taxes and employee participation			
Total Expenditures	2,036	3,680	80.79%
Loss or profit before provision for employee participation and income tax	-585	178	130.45%
Provision for employee participation In profit sharing		26	
Loss or profit before provision for income tax	-585	153	126.08%
Provision for Income Tax	49	75	52.23%
Loss or Net Profit	-634	78	112.30%

Balance Sheet
ProContacto Soluciones Inteligentes S.A.

Thousands of USD dollars

	2021	2022	% Growth
Asset			
Available funds and investments	659	1,250	89.75%
Credit portfolio			
Debtors for acceptances			
Accounts receivable	2	4	108.87%
Realisable goods, awarded by payment			
Properties and equipment*	383	626	63.22%
Other assets	116	152	31.77%
Total Assets	1,160	2,032	75.23%
Liability			
Obligations to the public			
Interbank operations			
Immediate obligations			
Acceptances in circulation			
Accounts Payable*	939	1,310	39.42%
Financial obligations			
Securities in circulation			
Bonds convertible into shares and contributions for future capitalisations			
Other liabilities			
Total Liabilities	939	1,310	39.42%
Total Equity	220	722	228.07%
Total Liabilities and Equity	1,160	2,032	75.23%
Note (*): In 2019, IFRS 16 on Leases came into force; therefore, in application of it these items, include the registration of <i>Right of Use Assets and Lease Liabilities</i> .			

Profit and Loss Statement
ProContacto Soluciones Inteligentes S.A.

Thousands of USD dollar

	2021	2022	% Growth
Revenue			
Interest and discounts earned	2		-100.00%
Commissions earned		15	
Financial profits			
Service revenue	2,587	4,004	54.77%
Other operating income			
Other income	6	29	402.59%
Total Revenue	2,595	4,048	56.00%
Expenses			
Interest caused	42	44	4.21%
Commissions caused			
Financial losses			
Provisions			
Operating expenses	2,350	3,452	46.88%
Other operating losses			
Other expenses and losses			
Taxes and employee participation			
Total Expenditures	2,393	3,496	46.12%
Profit before provision for employee participation and income tax	202	552	172.92%
Provision for employee Participation in profit sharing	31	80	156.76%
Profit before provision for income tax	171	472	201.19%
Provision for Income Tax	51	120	132.56%
Net Income	120	352	194.50%

Report of the Independent Auditors Banco de la Producción S.A. and Subsidiaries



(Free translation from the original issued in Spanish)

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Members of the Board of Directors

Banco de la Produccion S.A. Produbanco and Subsidiaries

Quito, March 6, 2023

Opinion

We have audited the accompanying consolidated financial statements of Banco de la Produccion S.A. Produbanco and Subsidiaries, (hereinafter "the Bank or the Group"), which comprise the consolidated balance sheet as of December 31, 2022 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and the related notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Banco de la Produccion S.A. Produbanco and Subsidiaries as of December 31, 2022, the performance of their operations and their cash flows for the year then ended, in conformity with accounting standards established by the Superintendency of Banks of Ecuador and the Financial Regulation and Policy Board.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are described below in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of Banco de la Produccion S.A. Produbanco and Subsidiaries in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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Banco de la Produccion S.A. Produbanco and Subsidiaries
Quito, March 6, 2023

Significant audit matter

The significant audit matter in our professional judgment was that matter of most significance identified in our audit of the consolidated financial statements for the current period.

This matter has been addressed in the course of our audit and in forming our opinion on the consolidated financial statements as a whole, and we do not express a separate opinion on this matter.

Significant audit matter	How we approach issues in our audit
Rating of risk and contingent assets The rating of risk and contingent assets is considered to be the most significant estimate in the Bank's consolidated financial statements, since the regulations related to the determination of provisions are complex due to the large number of variables that must be considered, as described in Note 2 h) to the consolidated financial statements.	We understood, evaluated, and validated the design and effectiveness of the relevant controls associated with the Loan and Investment Portfolio rating process. We segmented our tests for the various types of assets such as: Investments, Loan Portfolio, Accounts Receivable and Other Assets, in addition to Contingent Accounts. Within each of these items, subcategories have been segmented according to current regulations. We obtained the rating database of the Bank's risk and contingent assets and validated the accuracy and completeness of this database, in the aspects that are relevant for the calculation of the required provisions. We reprocess the information contained in the database and validate the appropriateness of the classification and the correct application of the rating criteria for each type of risk and contingent asset, in accordance with current regulations.

Another matter

The consolidated financial statements of Banco de la Produccion S.A. Produbanco and Subsidiaries for the year ended December 31, 2021, were audited by other auditors, who issued an unqualified opinion on March 9, 2022.

Report of the Independent Auditors Banco de la Producción S.A. and Subsidiaries



Banco de la Producción S.A. Produbanco and Subsidiaries
Quito, March 6, 2023

Other information

Management is responsible for the preparation of other information. Other information comprises the Board of Directors' Report and Annual Report 2022 (which does not include the consolidated financial statements and the auditors' report thereon). The 2022 Board of Directors' Report and Annual Report is expected to be available after the date of our audit report.

Our opinion on the Bank's consolidated financial statements does not include such information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Board of Directors' Report and Annual Report 2022 when available, and in doing so, consider whether this information contains material inconsistencies in relation to the consolidated financial statements or our knowledge obtained during the audit, or is otherwise materially misstated.

If, upon reading the Board of Directors' Report and the 2022 Annual Report, we conclude that there are material inconsistencies in this information, we must report this fact to the Shareholders and Members of the Board of Directors.

Responsibilities of the Group's Management for the consolidated financial statements

Management of Banco de la Producción S.A. Produbanco and Subsidiaries is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards established by the Superintendency of Banks of Ecuador and the Financial Regulation and Policy Board and for such internal control as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Group's Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as appropriate, going concern matters and using the going concern basis of accounting, unless Management either intends to liquidate the company or to cease operations, or there is no more realistic alternative to closing its operations.

Those in charge of the entity's administration are responsible for supervising the process of preparing the Bank's financial information.

Auditor's responsibilities in connection with the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high degree of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Material misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably influence the economic decisions that users make based on the consolidated financial statements.



Banco de la Producción S.A. Produbanco and Subsidiaries
Quito, March 6, 2023

As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment and maintain an attitude of professional skepticism throughout the audit. Also, as part of our audit, we:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, deliberate misstatements, intentional misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Assessed the appropriateness of the accounting policies applied and the reasonableness of accounting estimates, as well as the related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the Group's entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's audit and, accordingly, for the audit opinion.

Report of the Independent Auditors Banco de la Producción S.A. and Subsidiaries



Banco de la Produccion S.A. Produbanco and Subsidiaries
Quito, March 6, 2023

We communicated with those charged with governance of the Bank regarding, among other matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identified during the course of the audit.

We also provided those charged with governance with a statement that we have complied with applicable ethics requirements regarding independence and communicated with them about all relationships and other matters that could reasonably be expected to affect our independence and, where appropriate, related safeguards.

Among the matters that have been the subject of communication with those charged with governance of the entity, we determined the most significant matter in the audit of the consolidated financial statements of the current period and are, accordingly, the significant audit matter. We describe this matter in our auditor's report unless legal or regulatory provisions prohibit public disclosure of this matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences could reasonably be expected to outweigh the public interest benefits of the matter.

PricewaterhouseCoopers

Registration No. with the Superintendency
of Banks: AE-9101

Juan Carlos Sáenz P.

Juan Carlos Sáenz P.
Partner
Professional License No.: 17-223

Report of the Independent Auditors Banco de la Producción S.A.



(Free translation from the original issued in Spanish)

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Members of the Board of Directors

Banco de la Producción S.A. Produbanco

Quito, February 27, 2023

Opinion

We have audited the accompanying separate financial statements of Banco de la Produccion S.A. Produbanco, (hereinafter "the Bank"), which comprise the balance sheet as of December 31, 2022 and the related statements of income, changes in equity and cash flows for the year then ended, and the related notes to the separate financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Banco de la Produccion S.A. Produbanco as of December 31, 2022, the performance of its operations and its cash flows for the year then ended, in conformity with accounting standards established by the Superintendency of Banks of Ecuador and the Financial Regulation and Policy Board.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are described below in the section "Auditor's Responsibilities for the Audit of the Individual Company's Financial Statements".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of Banco de la Produccion S.A. Produbanco in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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Banco de la Produccion S.A. Produbanco
Quito, February 27, 2023

Significant audit matter

The significant audit matter in our professional judgment was that matter of most significance identified in our audit of the individual financial statements of the current period.

This matter has been addressed in the course of our audit and in forming our opinion on the individual financial statements as a whole, and we do not express a separate opinion on this matter.

Significant audit matter	How we approach issues in our audit
Rating of risk and contingent assets The rating of risk and contingent assets is considered to be the most significant estimate in the Bank's financial statements, since the regulations related to the determination of provisions are complex due to the large number of variables that must be considered, as described in Note 2 g) to the individual financial statements.	<p>We understood, evaluated, and validated the design and effectiveness of the relevant controls associated with the Loan and Investment Portfolio rating process.</p> <p>We segmented our tests for the various types of assets such as: Investments, Loan Portfolio, Accounts Receivable and Other Assets, in addition to Contingent Accounts. Within each of these items, subcategories have been segmented according to current regulations.</p> <p>We obtained the rating database of the Bank's risk and contingent assets and validated the accuracy and completeness of this database, in the aspects that are relevant for the calculation of the required provisions.</p> <p>We reprocess the information contained in the database and validate the appropriateness of the classification and the correct application of the rating criteria for each type of risk and contingent asset, in accordance with current regulations.</p>

Report of the Independent Auditors Banco de la Producción S.A.



Banco de la Producción S.A. Produbanco
Quito, February 27, 2023

Other matters

Consolidated financial statements

As mentioned in Note 1, Banco de la Producción S.A. Produbanco is also required to present consolidated financial statements with its subsidiaries. These consolidated financial statements are presented separately.

Audit of the previous year

The individual financial statements of Banco de la Producción S.A. Produbanco for the year ended December 31, 2021, were audited by other auditors, who issued an unqualified opinion on March 9, 2022.

Other information

Management is responsible for the preparation of other information. Other information comprises the Board of Directors' Report and Annual Report 2022 (which does not include the individual financial statements and the auditors' report thereon). The 2022 Board of Directors' Report and Annual Report is expected to be available after the date of our audit report.

Our opinion on the Bank's individual financial statements does not include such information and we do not express any form of assurance or conclusion thereon.

In connection with the audit of the individual financial statements, our responsibility is to read the Board of Directors' Report and Annual Report 2022 when available, and in doing so, consider whether this information contains material inconsistencies in relation to the individual financial statements or to our knowledge obtained during the audit, or is otherwise materially misstated.

If, upon reading the Board of Directors' Report and the 2022 Annual Report, we conclude that there are material inconsistencies in this information, we must report this fact to the Shareholders and Members of the Board of Directors.

Responsibilities of the Bank's Management for individual financial statements

Management of Banco de la Producción S.A. Produbanco is responsible for the preparation and fair presentation of these individual financial statements in accordance with accounting standards established by the Superintendency of Banks of Ecuador and the Financial Regulation and Policy Board and for such internal control as is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, the Bank's Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as appropriate, going concern matters and using



Banco de la Producción S.A. Produbanco
Quito, February 27, 2023

the going concern basis of accounting, unless Management either intends to liquidate the company or to cease operations, or there is no more realistic alternative to closing its operations.

Those in charge of the entity's administration are responsible for supervising the process of preparing the Bank's financial information.

Auditor's responsibilities in relation to the audit of the individual financial statements

The objectives of our audit are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high degree of assurance but does not guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Material misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably influence the economic decisions that users make based on the individual financial statements.

As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment and maintain an attitude of professional skepticism throughout the audit. Also, as part of our Audit, we:

- Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, deliberate misstatements, intentional misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of the accounting policies applied and the reasonableness of accounting estimates, as well as the related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Report of the Independent Auditors Banco de la Producción S.A.



Banco de la Producción S.A. Produbanco
Quito, February 27, 2023

- Evaluated the overall presentation, structure, and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance of the Bank regarding, among other matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identified during the course of the audit.

We also provided those charged with governance with a statement that we have complied with applicable ethics requirements regarding independence and communicated with them about all relationships and other matters that could reasonably be expected to affect our independence and, where appropriate, related safeguards.

Among the matters that have been the subject of communication with those charged with governance of the entity, we determined the most significant matter in the audit of the individual financial statements of the current period and that it is, accordingly, the significant audit matter. We describe this matter in our auditor's report unless legal or regulatory provisions prohibit public disclosure of this matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences could reasonably be expected to outweigh the public interest benefits of the matter.

PricewaterhouseCoopers

Registration No. with the Superintendency
of Banks: AE-9101

Juan Carlos Sáenz P.

Juan Carlos Sáenz P.,
Partner
Professional License No.: 17-223



INTERNAL AUDIT REPORT

Quito, February 28, 2023

Ladies and Gentlemen

SHAREHOLDERS

BANCO DE LA PRODUCCIÓN S.A. PRODUBANCO

Quito - Ecuador

Dear Shareholders:

As Internal Auditor, appointed by the General Shareholders Board of the Bank, and in compliance with the regulations in force, I hereby issue the following report:

This report contains the opinion on the financial statements as of December 31, 2022, the degree of compliance with the legal, statutory, internal regulations, and the regulations established by the Control Agencies, as well as on the quality of the internal control system.

My opinion is supported by the reviews, proofs, and control evaluations carried out during 2022. The reviews were carried out in accordance with auditing standards, which mandate that relevant ethical requirements are met, an audit is planned and performed to obtain reasonable certainty that the financial statements do not contain significant errors. An audit also includes, based on evidence, examining the evidence supporting the figures in the financial statements and evaluating the internal control system, as well as evaluating the accounting practices applied, the principles used, and the significant estimates made by the Administration. I consider that the tests carried out, which were executed according to the annual work plan approved by the Audit Committee and the Board of Directors of the Bank, and communicated to the Superintendency of Banks, provide a reasonable basis for expressing the following opinion:

1. In relation to the financial statements:

- a. In the portfolio, it was verified that the credit operations have been granted in compliance with the legal requirements and current regulations while applying the policies approved by the Board of Directors.

The provisions for possible losses established satisfy the requirements established by the regulations determined by the Superintendency of Banks. Produbanco maintains at 61 days the parameter for transfer to past due portfolio of all credit operations in compliance with the provisions of Resolution No. 609-

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2020-F dated October 28, 2020, Official letter No. JPRMF -2021-0230-O dated May 18, 2021 and Resolution No. JPRF-F-2022-030 dated June 29, 2022.

During this period, no operations granted to related parties have been identified.

- b. Investments in securities have been made based on the quotas and limits approved by the Board of Directors.
- c. Both in active and passive operations, the Bank has complied with transparency standards of information.
2. Produbanco's front-line liquidity index had an annual average level of 22.10%, exceeding the minimum established by the Superintendency of Banks during every month.
3. The ratio of the Bank's Technical Equity to risk-weighted assets presented at the end of the year a surplus position of USD 278.22 million, which is equivalent to a solvency indicator of 14.28%, higher than the required minimum of 9%.
4. Tax and labor obligations are adequately observed.
5. The Bank and its Subsidiaries maintain a reasonable internal control system for its transactions and processes, which allows it to provide an adequate degree of security to its operations.
6. In relation to the anti-money laundering control system of the Bank and its Subsidiaries, I can conclude that: it generally observes the requirements established by the current legal requirements and the regulations set forth by both the Superintendency of Banks and the Financial and Economic Analysis Unit (Unidad de Análisis Financiero y Económico—UAFE); it covers the operations of the Organization; it is applied in all branches; and is disseminated to all staff through the means available to the Bank.
7. Regarding comprehensive risk management regulations, the Bank has generally complied with the terms and deadlines established by the Superintendency of Banks. The Bank's Administration issued the necessary policies and procedures for the implementation of comprehensive risk management. There is an adequate evaluation of the exposures to the various risks, and the Board of Directors is apprised in the periodicity established by the Administrative Body on the administration thereof.

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8. I must mention that within the balance of the account "Recovery of written-off portfolio", during the year 2022 it registered US\$30,238,375, including US\$17,142,110 of restructured written-off debt during the period, which is provisioned by 100% without impacting in the final profit for the year.

OPINION

The financial statements are responsibility of the Bank's Administration. My responsibility as Internal Auditor is to express an opinion on the reasonableness of these financial statements based on the audit tests performed.

In my opinion, the Balance Sheet as well as the Profit and Loss Statement of December 31, 2022, both of Produbanco and its Subsidiaries, are presented reasonably in accordance with regulations and accounting practices established by the Superintendency of Banks and other regulatory and control agencies.

In addition, I can report that Produbanco and its Subsidiaries have an adequate level of internal control; they comply with current legal requirements; their transactions respond to banking techniques and they comply with policies and procedures approved by the Board of Directors, as well as by legal regulations in force..

Sincerely,

Fredy Sandoval Cerda
INTERNAL AUDITOR

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Créditos

Coordination

Marketing

Graphic Line

Grupo Promerica

Editing and Layout

Solange Luna

Translation

Rodrigo Sandoval

Photography

Produbanco

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